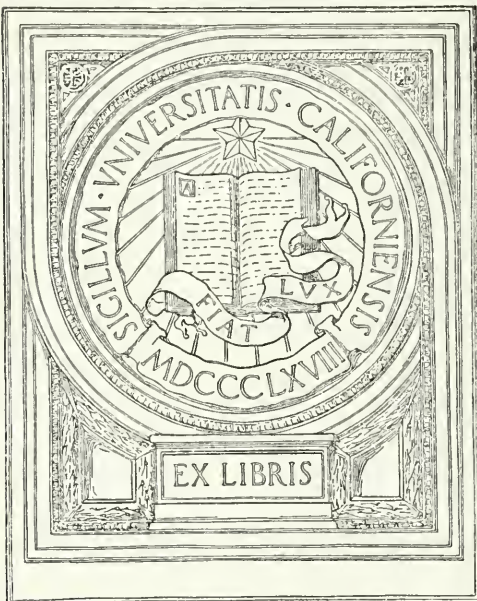


RENT,  
INTEREST  
AND  
WAGES.

*M. FLÜRSCHHEIM.*

727  
UNIVERSITY OF CALIFORNIA  
AT LOS ANGELES



THE GIFT OF  
MAY TREAT MORRISON  
IN MEMORY OF  
ALEXANDER F MORRISON







RENT, INTEREST AND WAGES.



# RENT, INTEREST AND WAGES;

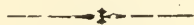
OR,

## THE REAL BEARINGS OF THE LAND QUESTION.

*PRIVATE RENT THE MOTHER OF INTEREST, THE CAUSE  
OF COMMERCIAL DEPRESSIONS & SOCIAL MISERY.*

BY

MICHAEL FLÜRSCHHEIM.



London:

WILLIAM REEVES, 185, FLEET STREET, E.C.

To my Friends,

HENRY GEORGE,

ALFRED RUSSEL WALLACE,

AND

WILLIAM SAUNDERS,

THE INDEFATIGABLE CHAMPIONS OF

LAND RESTORATION,

I Dedicate this Book.

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## P R E F A C E .



They say that in 1848 some communists came to the Francfort Rothschild, and wanted him to divide his fortune with them. "All right;" said the great financier, "How high do you estimate my fortune?" "Forty million florins," was the answer. "Good, that is just the number of inhabitants of Germany, and will give a florin to each. Here is your florin; send along the others!"

How often do we hear this anecdote in Germany to show how small the share of the poor would be, even if all the wealth of the rich were evenly divided among them! So Neumann Spallart, one of the first German statisticians, calculates that, if the wealth of the higher incomes of Saxony was distributed among the total of inhabitants, there would be not more than 54 mark increase of income for each taxpayer. Such calculations mixed with a few extracts from the drugshops of Malthus and Darwin make a soothing syrup with which the rich admirably succeed in calming those unpleasant twinges with which the misery around them occasionally torments even the most hardened of their class.

Eight years ago I, too, was a member of the happy family, who thus succeeded in making life pleasant. If conscience would rebel after all, there was no difficulty in deriving excellent consolation from a whole crowd of white-washing economists of the Atkinson, Leroy-Beaulieu, Giffen, etc. type, who proved, in the most wonderful way, how everything was going on so remarkably well in this best of all possible worlds, and how the progress of science was hastening on the millenium with rapid strides. If all this would not do,



there were the churches which preached to the well-dressed people in the pews, that there was no help for it, for it was the will of Providence that we should always have the poor with us,—a provision intended for the benefit of our souls, as it gave us the chance of being charitable. Furthermore the blessings in another world were going to be in proportion to the misery endured in this.

Of course I did my best to make amends for being well-to-do, and though there were some unpleasant predictions in regard to my future expectations, illustrated by certain difficulties experienced by camels, I thought that I might just as well try, and I therefore did the best I could for the poor fellow beings who were working in my factory, by organising certain beneficial institutions, of which it is not necessary to speak. Men like Owen and Godwin were my models and I thought that the millenium would come on much quicker, if all my fellow manufacturers worked in the same channel. It was about that time I got hold of "Progress and Poverty." It was a new revelation. I saw how deluded I had been, and that the road I was walking in such confidence was sure to end in the worst quagmire the world ever saw. I had never read anything so wonderful in my life, the course of which was to be changed from the day this book got into my hands. I began to spread the new gospel; but the further I got into the subject, the more insurmountable the difficulties I found in my way.

The social question and its relation to land ownership appeared so completely different in Germany from what it was in the United States, or even in England, that I did not see how I could make any headway with George's doctrines. The domination of capital was such a prominent one and its connection with the land question appeared so unsatisfactory when looked at with Henry George's eyes, that I began to investigate, whether, after all there was not a hitch somewhere in his reasonings. The result, which I finally reached after the work of years, is given in the following pages.

The reader will find, that I present the great truth of Land Nationalisation from a side essentially different from

the aspect set forth by Henry George. The success my views have obtained, (best demonstrated by the fact that the thousands of disciples whom the great reform has been gaining among the German-speaking nations, and even among the Dutch, almost without exception, are won over by my writings and lectures), encourages me to try their effect upon a public, which up to the present has viewed our great cause only from the side presented by the great "Prophet of San Francisco."

I do not use this name, by which the Duke of Argyle first designated our great leader, in the satirical and mocking sense attached to it by its inventor. I use it in all reverence, full of a feeling of the truest admiration, looking up to Henry George, as I have looked up to no man before. Yes, he *is* a prophet, he is one of those God-inspired men, whom a great truth lifts above the level of daily life to the sublime height whence they view the future of Humanity. That he could not see the question in all its bearings, that he left something to others who, through the experience of different surroundings and different callings, saw sides of the question which escaped his observation, is not surprising. It is astonishing that he saw so much considering the limited experience he had.

If in the course of this book I have to criticise what I regard as the errors of Henry George, I wish it to be understood, that this in no way diminishes the unbounded admiration I have for his genius. The wonderful poetry with which he succeeded in popularising what before him was with truth called "the dismal science," will win men's hearts before their reasoning is even touched, and it is through the heart that the people is conquered. Its gates once opened by such appeals, cool reasoners may hope to find admission to complete the work of the master. It is only as a completion, an appendix to "Progress and Poverty," that I should wish to have my readers see in these pages. In dedicating them in the first place to the great leader of our cause I clearly indicate in what friendly and even loving spirit they are written.

MICHAEL FLÜRSCHHEIM.

# RENT, INTEREST, AND WAGES,

## OR

### REAL BEARINGS OF THE LAND QUESTION.

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#### CHAPTER I.

#### *The Problem.*

Let us open the subject interrogatively and ask first, Is there a social problem?

This question will be understood only by those readers who are acquainted with the writings of a certain class of political economists, once very influential, but now fortunately rapidly declining, though still giving the tone to important organs of public opinion. A man must be blind and unimpressionable indeed, if he can see all around him the evidences of the most abject and harrowing misery jostling side by side with exhibitions of wealth and luxury such as the age of Lucullus and Crassus dreamt not of. It seems impossible indeed to shut one's eyes either to the lessons or moral afforded by such sights; but there is no blindness like that of the man who does not want to see, and no spectacles so opaque as those ground on the stone of preconceived and rooted prejudices, especially if these prejudices are based on great principles wrongly applied.

In a comic German paper, many years ago, a gardener was represented as leaning thoughtfully upon his spade, when his master approached, and, asked him what he was thinking about. "I was thinking about those beans I planted," replied the gardener. "I know I planted them all right, and what do you think came up?" "Why, beans, of course." "No, the pigs came and ate them," replied the gardener musingly.

Now, let us suppose the gardener had been ignorant of the pig's trespass, and his master had told him that if he had planted beans there was no doubt that beans had come up, as natural law determines that beans will produce beans, and if he did not see them his blindness was the only cause, should we have thought him wiser than the gardener, who denied the existence of the natural law, because he felt perfectly sure that no beans had made their appearance?

The reader, however, may smile at both for flying off into such preposterous reasoning, without first investigating whether some important fact had not perhaps been overlooked by one or other of them, the knowledge of which might have changed all their conclusions. He might naturally think that a case like this supposes a degree of stupidity too dense to have been likely or even possible to occur; but all he will have to do to be convinced of the contrary is to look around and he will find that similar feats of logical reasoning are performed on every hand, perhaps by his best friends, and however unconsciously, even by himself.

### Industrialism and Socialism.

Look at the fact of the two extreme parties engaged on the battle field of social discussion, represented by the orthodox school of political economy, founded by the physiocrats and Adam Smith, and, baptised at Manchester on the one side, and the partizans of extreme socialism (for in some sense are we not all socialists?) on the other, and then ask yourself the question: does not their battling give us a fair counterpart of the discussion between our gardener and his master in another phase? Does not one of them deny the very existence of any social problem because the working out of natural social laws is bound, whatever happens, to produce universal prosperity, and does not the other equally deny the validity of the said laws, because of the unmistakable absence of anything like the promised result? Do not both commit the same fault of forgetting or disregarding the search after the missing link represented by the pigs in the anecdote?

I propose to show presently where the missing link is to be found. But my first task must be to expose the errors committed on both sides, and I begin with the

greater sinner of the two, viz., the economist of the orthodox school. I say the greater sinner, because in having eyes he sees not, allowing pride and self-interest to step in and often warp his better judgment.

I do not for a moment mean to impute that such objectionable motives are always present. There can be no question that elevated and noble minds actuated by the highest motives may be found in their ranks. There is something so seductive in a principle which is true in the abstract, that to many it will prove a sorcerer, who, with meshes of deductive reasoning, will gradually so fetter their observing power that the most dangerous sort of colour blindness will ensue.

And, truly, it is a great principle that of free, unfettered individualism fighting for a higher civilisation by pitching against each other the full powers of the workers in the great battle of competition, without any interference by the State, whose only office is to keep order, and to prevent foul play. It is a principle appealing most powerfully to the minds of strong, energetic natures, in the individual or national sphere. Here we have the reason why those who owe their success in life to their own hard exertions, whose energy and strong will have procured them a cabin berth in the ship of life, are mostly to be found in the ranks of this school, upholding the banner of free and unfettered individualism. Here we have the reason why nations having an unusual supply of such individuals, as those founded by the sturdy Anglo-Saxon race, are the strongholds of individualism. If there is nothing more powerful in its effect for good than the carrying out of a great principle, on the other hand, nothing can be more dangerous than to rest content with half measures on so important a field. Proclaiming the principle that everybody should find his food himself may be a good thing, but if applied to a poor fettered prisoner it would only do harm. As long as the law of free and unfettered individual action is thus only partially carried out, the false principle of feeding men who ought to feed themselves is certainly preferable to the working of the correct one of "*laissez faire laissez passer*." The full right to find his own food in the case of the prisoner would be nothing more than the right to starve, because the right to work presupposes freedom from fetters and jail walls.

Are there no such fetters and jail walls in our actual world of to-day? Can a man work without having *free access to mother earth and the natural forces* connected with it?

As long as we keep him fettered in the chains of *land monopoly*, as long as the *walls of landlordism* imprison him, the laws of free individualism are "more honoured in the breach than the observance." State help would in such a case be certainly preferable to *laissez faire*. It is no mere chance that the Elizabethan Poor Law, that most gigantic measure of State help and socialism which ever was passed in modern times, had to follow closely on the strengthening of landlordism under Henry the Eighth.

If landlordism like the pig in our story devours the seed, natural laws assuredly cannot produce the beans. The great error made by the old school in standing up for all liberties except for the one which might claim to be most fundamental, that of free access to natural opportunities, is the cause of its decline and downfall, of which there can be very little doubt on its present lines. There is only one way of salvation for it: and that is the full carrying out of its principles by freeing the land from the fetters of monopoly. But instead of doing this its knights and defenders either adopt the plan of trying to prove the presence of beans quite imperceptible to the ordinary eye, and to show that all is for the best in the best of all possible worlds, or they take refuge under the shades of Malthus, and Darwin, talking of laws of population and the inevitable battle of life with the "survival of the fittest."

#### Statistical Proofs of Comparative Prosperity.

Let us first investigate how they manage to prove that these figurative beans of general prosperity are growing all around us, though the eyes of unbiassed observers can see nothing but misery.

If any body wants to prove something which common sense cannot admit, he generally has recourse to that maid of all work called "statistics." With statistics you can prove anything, if you know how to manipulate them cleverly. Look at the statistics of vaccination, how its friends as well as its enemies use the long rows of figures to prove their opposite doctrines. The sudden decrease of small pox at



the beginning of this century in Sweden is given as a proof by vaccinationists in their favour, because it coincides with the introduction of vaccination, whereas their opponents regard this sudden decline of small pox as a strong point against vaccination, it being impossible that more than a very small part of the population could have been vaccinated at that time. If, say they, there was such a sudden diminution of cases, this did not come from vaccination, but was caused by one of those natural agencies, which at a certain period cause the disappearance of plagues. The Black Death and other visitations of this kind have disappeared from Europe without vaccination, and small pox, they reason in the same way, would have disappeared long ago, if the practice of vaccination had not preserved its poisonous germs.

Let us see now, how economists use statistics to suit their purposes.

One of their favourite subjects is the *comparison of wages* at the present time with those of previous periods. Mr. Giffen is especially great in such comparisons. It makes such a cheerful impression, when the great statistician shows that wages have increased fifty per cent in fifty years, that few people care to enquire why the comparison is made with one of the worst periods, the time of the Anti-Corn Law League, when one of the main arguments of Cobden and his friends was that the misery reigning among the working classes was the result of protection.

Why not go further back into former centuries? If their theories about the increasing well-being of the working classes were correct, the magnitude of the difference between our time, with its enormous increase of facilities for production, and those old days of primitive modes of manufacture and agriculture would certainly be more apt to force conviction upon doubting minds than a poor fifty per cent., diminished a good deal by increased cost of living. These gentlemen know perfectly well why they do not extend their comparisons to such longer periods, because the results would be the very opposite of those they wish to adduce.

Statistics show that, unless destructive wars devastated the country, the purchasing power of wages was higher 400 or 500 years ago than it is now. According to Janssen's history of the German people a common workman gained

eighteen Pfennige a day in 1464 at Bayreuth. For these he could buy nine pounds of beef, whereas his present wages would only buy two pounds.

In the beginning of the same century a week's wages bought a sheep and a pair of shoes. A month's wages bought a bushel of rye, twenty-five dried cod, a cord of wood and two yards of the best woollen cloth.

The accounts of the cathedral at Xanten (an old Prussian town on the Rhine), edited very carefully by Beissel, show that in the year 1400, a sawyer earned a lamb in one-and-a-half day's work; six pounds of ham, or five young chickens in a day; 100 eggs in two-thirds of a day; a pair of boots in two days. Half-a-day's work paid a week's lodging of an unmarried man, a whole day that of a whole family in the town with better lodgings than are now obtained at much higher prices.

In the days of Adam Smith, a millwright at Zandern (Holland) was paid two shillings a day in the summer and one shilling and sixpence in winter; a stonecutter over three shillings and free beer in summer. Other prices were as follow: meat threepence, butter threepence half-penny, cheese twopence half-penny a pound. Relatively rent was not half of what it is to-day.

I only refer to a few foreign instances unknown in England, but the best proofs that workingmen were better off in old times are given by an English writer, Professor Thorold Rogers, whose works on this subject are most highly esteemed in my native country, but are too well known and accessible to English readers to render it necessary to give quotations from them. I only want to mention a single fact not contained in them, mentioned by him to Henry George on the occasion of his late visit, viz., that in the days of Henry VII., a labourer gained £145 of our money, whereas to-day he only earns £30.

The following clipping from George's *Standard*, New York, may be of interest in connection with this question of comparative wages. "One thing that is hardly realized by those who complacently write on labour questions is the increasing intensity of work in many branches of industry. It is not merely that the machine has been increasingly speeded, and that the man, woman or child has had to keep up with it,

but that the system of piece work which has been so generally adopted tends to set the pace at the highest possible. For instance, in the machine shops of the Pennsylvania railroad at Altoona a man gets the same price for making eight axles in 1890 that he got for making four in 1872. The machinery has not been improved. On the contrary, where in 1872 he had two lathes to work with, he now has but one, and more dexterity is required. The difference is in the increased skill of the workman and in the increased intensity which he throws into his work. Thoroughly experienced workmen make as much now as they did in 1872, but they put more of their life into a day's work, are more exhausted when the day's work is done, and will have fewer days to work before breaking down."

To show the real value of statistics like those of Mr. Giffen even when correct, I will translate part of a letter written to me by my friend Jan Stoffel of Deventer, Holland, one of the most conscientious men I ever knew.

"You ask me how it is that my workmen can no more afford to kill a pig or a cow now, in spite of a rise of wages, amounting to seventy per cent. in twenty-five years? Twenty-five years ago the workman rented a piece of land cheaply. He never bought vegetables, potatoes, or milk, and rarely bread. He had a garden next to his house and rented agricultural land from the parish. The time of labour was shorter. He had a shed for a goat and a pig. To-day the rent of his house, without a shed and without a garden, costs more than it did then with the same included. He has no time now to work in the fields, and rents are so high that he can no longer rent land at paying prices. He now buys his vegetables, his potatoes, his milk and his meat, as well as his rye bread that he used to prepare himself, getting the baker to bake it for him at the cost of a few pence. The increased rent has taken all the increase of his wages and more. The danger of being without work in winter is becoming really alarming in Holland. The situation of our workers is so miserable that if I were to tell my "hands" to-morrow that I should have to lower their wages next week at the rate of two florins, nobody would leave me as they could not find another place."

Stoffel here touches one of the main points left out of consideration altogether by our friends of the Giffen type, the question of full employment.

It is evident, that if an increase of fifty per cent. in wages is accompanied by a diminution of say only forty per cent. in the time during which wages can be obtained we really have a decrease in earnings of ten per cent. instead of an increase. Fifty per cent. increase makes one shilling come up to one shilling and sixpence, and sixty per cent. of actual working time at this rate of wages only leaves a little less than elevenpence.

According to the testimony of Mr. Ben Tillet before the House of Lords committee on the Sweating System, 1888, a docker sixteen or eighteen years ago could average throughout the year about twenty-four to twenty-five shillings a week, but, before the strike the same man did not average more than seven shillings, his average time of occupation throughout the year having been about three hours a day. I do not need to give statistics to prove that employment is now more difficult to obtain and that the average of full working time is steadily declining in most trades. Those least conversant with the facts of every day life, know this. Statisticians may get up any array of figures to prove that a man ought to be filled when he is hungry, but people have a tendency to trust the teachings of their stomachs rather than the finest set of figures in the world.

A German boy was once asked by his teacher how many glasses of beer were left if he, his mother, and his father, took one glass each out of five. None, he answered. You do not know your arithmetic said the teacher. "May be," replied the boy, "but I know my father." Theory did not go down with that boy; experience had taught him the fact, that the old man never left a drop of beer on the table, if he could help it. All statistics of national consumption with their professedly higher averages in every article of consumption are not worth the paper they are written on. To begin with they entirely leave out of consideration the food formerly produced for their own consumption by people who now have to buy everything. The pound of meat they now buy from the butcher is counted on the national consumption list; but who deducts the pig they raised themselves, before the

common was inclosed which also gave them feed for a cow, enabling them to keep up their little country home in a manner which Mr. Giffen completely ignores?

But independent of this, is there anything more deceptive than calculations based upon averages? Has it ever saved the life of a man who has been drowned by getting into a deep place, his knowing for certain that the average depth of the river did not exceed four feet? The average consumption of meat in Spain is seventy-six pounds a head. In the province of Almeria it is only 5·87. It is certain that in all countries the higher and the upper portion of the middle classes have considerably increased their meat consumption. Let us suppose that in a certain country they have increased it from 100 to 200 pounds a head. Let us further suppose that their number is equal to twenty per cent. of the population and that the average consumption of meat has increased from sixty to seventy pounds a head; in this case eighty per cent. of the population would only get 37·50 a head where they got fifty before. Their consumption would have decreased one-fourth, though the average consumption has increased one-sixth.

The enormous *increase in the consumption of alcoholic liquors* can just as little furnish a proof of the increase of the people's well-being. Thus the poorest provinces of Prussia are those where the consumption of gin is the greatest. Misery leads to drink in a great many more cases than drink leads to misery, and there never will be such a powerful help to the temperance movement as the social reform which makes people wealthier, wiser and healthier.\*

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\*It is intentionally that I change the order of the three enjoyable blessings promised to early risers. Our social state has completely changed such old fashioned ways of looking at things. It is not early rising to begin with, which leads to success at a time when an eight hour working day is looked to as a means of reform. The boy who, upon being admonished that the early bird catches the worm, replied: "Serves the worm right, why did it get up so early?" had an inkling of the change in social matters. It is no longer health which brings wealth and wisdom; but wealth which brings health and makes wise. The poor, though they be ever so healthy, have little chance of ever becoming wealthy and wise. Wealth is obtained by other means than hard work made possible by good health, and only those who have the means can obtain the



Another hobby of the statisticians in question is furnished by the figures of *saving banks*. There is a great increase, they tell us, not only in the sum total of the savings but also in the number of the savers.

No doubt the figures are correct ; but let us see who the savers are and to whom the increase of savings is to be credited. The best instance is furnished by the statistics of the Austrian postal saving bank in 1886.

Of 1,000 depositors only twenty-six belonged to the working class (servant maids not being counted.) Of 2,117 workingmen, who during the year had made deposits, only fifty-two had balances at the end of the year. The immense majority of depositors and a greater part of the deposits had been made by small capitalists, who preferred this mode of investment, because interest on government bonds was very low and business investments were too risky. The latter predominating cause thus makes the increase of deposits form rather a sign of bad times than one of any increase of prosperity.

Further on we shall see that the enormous *increase of national wealth*, a favourite point with Mr. Giffen, in our days only denotes a descent of the barometer indicating the condition of the masses, just as it did in the days of Rome.

We shall, moreover, see that the question whether the share of wealth falling to the masses has increased or not, is perfectly immaterial, so long as its increase does not extend far enough to raise their consuming power to the height of production. Meanwhile I cannot help recommending to such economists the tale about the mule, which was not satisfied

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wisdom of universities. (Not that I esteem it so very much and that I do not think more of the wisdom obtained in the school of life ; but this is a private opinion, which does not go very far with those official estimators and assessors of wisdom called "boards of examiners.") The poor may be very lucky, if they only conserve their health, which is getting more and more difficult in these times of overcrowded tenements, and unhealthy callings. It is only the rich, who can attend to their health. It is for them that all the inventions of medical science are made, only to them that health resorts are offering their blessings, only by them that every comfort for making life pleasanter is obtainable. It is to them that the best schools open their doors, that the wisdom of ages is accessible. This is the reason why I have reversed the time-honored order of things in the old proverb.



with its food and which its owner wanted to tranquilise with the consolation that its ancestor used to be happy with a feed of thistles. "Alas, this is true," the mule replied, "but you know, my ancestor was an ass."

Or, to such as are in the habit of saying that the workman is so much better off than the poor employer, who is exposed to such great risks all the time, while the workman gets his settled wages and need not care for the morrow, we recommend the story of the runaway slave. When asked by the Kentucky judge why he ran away, the slave had to acknowledge that he had all he wanted and was well treated, but when the judge further wanted to know what he ran away for under such circumstances, Sambo replied: "Well, massa, the situation is open yet, if you want to have it!"

#### **Danger of Falsifying Statistics.**

Economists of the Giffen stamp do not know the great harm they are doing, or they might perhaps make use of their capacities in another direction. Even as it is, our well-to-do people have generally a natural inclination to disbelieve the prevalence of widely-spread misery. It is such a common feeling to believe that everybody must be satisfied, when we have eaten a good meal, that everybody must be warm, when we are sitting near our own cosy fireside. The misery of our fellow beings is such a painful sight and thought, that more or less a kind of Podsnap feeling takes hold of men and they are always pleased when philosophers of the Giffen type strengthen the muscles of their arms for the well-known motion with which they try to put things out of their mental sight.

But my friends, a time is coming when a hundred horsepower of Podsnap muscles will no longer succeed in accomplishing the reform of the abuses around us by waving or shuffling them out of sight in so comfortable a way. The Supreme Judge before whom we are going to appear will not take kindly to such a way of doing our duty. Podsnapism will find no mercy before God. He will not even defer His punishment until we appear before His judgment seat; it will reach us here below yet, unless we are destined to be called away very soon. On all sides signs are appearing to those who are able or willing to read them; Mene Tekels of a

vivid hue, warning us of the storm brewing in all directions. There is no excuse for you my Podsnapian friends, to say that you did not know, that it was not your fault, that men you trusted in grossly neglected their duty by using that important instrument "statistics" in such a nefarious way. It is certainly not the fault of the instrument. Statistics are not responsible for the use made of them. It is not the fault of the alarm bell if it is inverted and used as a vessel to mix a sleeping draught in. Real statistics are a powerful alarm bell, potent enough to reach the ear of all if rightly used and listened to. Its warning notes, now wailing and now shrill, are pealing forth from country to country, and while we listen let us not forget that those whose suffering they speak of are human beings like ourselves; that they feel pain, cold and hunger as we do; that they are thinking as we are; that knowledge spreading its light into the darkest corners is getting more and more accessible to them; that the restraining power of religion, or what goes by that name, is losing its hold on them more and more; that they cease to believe in a future world, which is so sure to repay them a thousand fold for the sufferings they are undergoing in this. Rather are they asserting their inalienable right to the full enjoyment of their earthly life, to which they have as good a claim as any other of their mortal fellow beings. They know that there is no more excuse for their sufferings: that the old curse has been lifted by a Divine Father, whose manifestation to the human mind has brought forth those wonderful discoveries and inventions in all departments of production which have changed the whole face of the world. They know that a thousand millions of iron slaves are working day and night to bring forth bread, raiment, and all the luxuries of life. They know that these untold blessings ought not to be a curse to them, depriving them of their means of existence instead of increasing them. They know, that if ever there had been a necessity for their suffering, because the total of wealth in this world was such a small one that the fullest exertion of every worker would barely be sufficient to procure a decent living for all, such a necessity has passed away long ago, and that, if full liberty were given, enough could be produced to give not only the needful but even the superfluous to every

human being. And in such a world what is the real state of well-being among the millions?

### Misery of the People.

There is no need for me to enter into English statistics. The tale of misery has been told so often and by so many more competent men, that to repeat it here is unnecessary. If the reader has not already done so let him read "Land Nationalisation," by A. Russel Wallace, or "Poverty and the State," by Herbert V. Mills, and he will get an idea how much greater than the official figures represent, the number of paupers—*i.e.*, persons assisted by public and private charity—really is. Let me only add a few figures from the report of the Commission investigating the state of the working classes in the East-end of London during the year 1887: Of 30,000 families, to which the investigation extended, 6,000 inhabited a single room, 1,572 only a part of a room. There are many cases where as many as ten persons of all ages and sexes, related or not, sleep and live in the same room. In Glasgow 125,000 inhabitants have only got one room for each family.

As, however, my readers have better sources of information regarding the state of things in their own country, I shall refer more to foreign countries, the information respecting them being perhaps less accessible to English readers. Let us cross over to France, the country noted for the well-being of the lower classes. In this paradise of the workers 219,270 houses have only one opening, *viz.*, a door and no window. We shall see later on how delusive the reigning idea of the well-being of the French peasant proprietor proves to be. Meanwhile let us cross over to Germany, and see what mountains of misery the external glory of my native country is really hiding.

According to the latest Prussian statistics of 1887, 77·6 per cent. of the population pay no income tax, though incomes of less than £20 are not taxed. Of the taxed incomes the bulk is taken up by the lowest. The average of these is estimated at £25 for each family. In 1885, ninety-three per cent. of the nation had an income of less than £75. Now for a few figures from the income statistics of Saxony for 1886. One third of the inhabitants do not even possess an income o

£15. Another third has less than £25 income, another fifth less than £40. This gives an average income of £20 for each tax payer, or as there are two inhabitants to each tax payer, it means that eighty-two per cent. of the population have an average income of £10 a head.

Thirteen per cent. of Berlin, and thirty per cent. of Ham-  
burgh dwellings are in cellars. 75,000 Berlin lodgings consist of a single room and are inhabited by 270,000 souls. Passing into Austria we first come to Bohemia. Whoever wants to read harrowing tales of human misery ought to read the book of my friend Dr. Singer about the state of things in North Eastern Bohemia ("Untersuchungen über die sozialen Zustände in den Fabrikbezirken des nord-östlichen Böhmens," Leipzig, Dunker und Humblot). His description of a house of four rooms, a garret and cellar, containing altogether only 2,100 cubic feet (160 is the minimum quantity required by a grown person), in which fifty-one adults and twelve children lived together, is exciting disgust, pity and holy anger against a state of society rendering such things possible. In the capital of Vienna, 1856, each family averaged 3.5 rooms; 1864, only 2.5; 1873, only 1.8,. In the other capital Buda-Pest the number of cellar lodgings increases from year to year. Within the last five years 8,000 inhabitants have been added to the number of the miserable beings forced to live in such holes. One tenth of the whole population or 43,600 souls is the present total of these cellar dwellers. In 1880 it was only 32,600. In 1870 51,664 inhabitants lived in single rooms with more than five; 12,307, with above nine, and 1,068 with twenty and over occupants in each. We had better, perhaps, stop here, for if we continue our journey into Italy, and thence into Spain we should have to tell tales of such unheard of misery that even those already told would pale at the sight of them. Pelagra, that terrible hunger disease, is the spectre haunting the fruitful plains of Northern Italy in this civilised 19th century.

But, enough. I have done with showing up the real facts about the beans of prosperity, which no human eye can see anywhere. Let us now have a look at the other plan, tried by the same philosophers, that of proving the misery of the masses as a result of natural laws. The idea of combining both kinds of proof reminds one of the woman accused of having taken a pot

and giving it back in a broken state. "May it please your honour," was her defence, "I never took the pot, to begin with, and it is a lie that I broke it. I gave it back in the same state it was in before." Our Giffens tell us that the masses are much better off than they ever were before and in the same breath they tell us that natural laws are the cause of their misery, which, according to these laws, cannot improve. "In point of fact—I never took the pot and it was broken when I took it."





## CHAPTER II. OVER-POPULATION.

It is unnecessary for me to deal seriously with *Malthusian theories*, so popular with those who want an excuse for doing nothing in the way of reform. I could never make out a clearer refutation than that of Henry George, in "Progress and Poverty," nor could I ever understand how anyone could be found to contend that overpopulation was the principal cause of misery, while, at the same time contending that overproduction was at the root of the evil.

The theory of Malthus is, as we all know, that population has a natural tendency to overstep the boundary line drawn by the means of subsistence. The overpopulation we now complain of is an increase in the number of people without subsistence, because there is too great an abundance in every department of production, from the fundamental food supply up to houses, clothing and luxuries of every description. It is this overstocking of the market with all the necessities and superfluities of life, which prevents millions of willing workers from finding employment by which they could earn the wages enabling them to buy their share of the good things which are waiting in vain for purchasers. This strange, but well-known fact is of itself sufficient to silence most of the nonsense talked about *overpopulation*. The wealth of Great Britain increases at the rate of £200,000,000 a year, that is two percent.; while on the other hand population has grown only one per cent. How does this agree with the theories that population outgrows the means of subsistence? Schippel (*Das moderne Elend und die moderne Übervölkerung*, Leipzig, 1883), gives a list of 25 important branches of work in England, which occupied half a million less workers than they did 20 years before—2,562,000 instead of 3,030,000—in



spite of the increase of population, because improved tools and modes of production enabled the smaller number to produce a much greater amount of goods than before.

It is not only in industrial productions, however, that this law holds good, viz., of a smaller number of workers producing more goods than the larger number did before; even in agriculture we find the same result. In 1801 England and Wales, according to Schippel, had an agricultural population of 1,713,289 but in 1871, in spite of the largely increased population, this number had fallen to 1,657,138, while Caird gives the cultivated area as 20 per cent. larger than in 1821, with an increase of the quantity of wheat raised per acre. The best illustration of what "overpopulation" now-a-days really means is given by the case of Ireland, which Schippel presents in a very convincing way. I shall give it in his own words:

"In Ireland modern overpopulation has been developing for more than a generation in classic simplicity without any confusing accompanying circumstances. As is well-known the population of Ireland is not increasing, but has been rapidly decreasing for a long time since.

"It was 8.2 millions in 1842; 6.6 in '51; 5.8 in '61; 5.5 in '66; it is 5,175,000 now. But (Dudley) Baxter has been already enabled to show in 1867, that the total income in the tax lists was continually increasing; 1855, for instance, 16 per cent. The cultivated area had equally increased on the green Island from 1841-76; according to Mulhall from 13.5 to 15.3 million acres, or 13.3 per cent. The value of harvests rose from 23.8 to 36.5 millions, or more than half. The productive power of labour has had a remarkable increase; 1876, 60 per cent. more acres to each head of the population were cultivated and each acre produced 40 per cent. more. What was wanting to make the Irish people happier than it was before? It was just the increased productive power of labour that proved a curse to labourers and tenants! The more they brought forth, the less they were needed, and with the steady progress in cultivation they are wanted less and less from day to day and from year to year. In this way Ireland during the last decades always was overpopulated, in spite of the rapid decline of its population. It was overpopulated, when after 25 years it had lost not only the whole of the excess of

births over deaths, but 2·7 millions more; when through emigration and terrible famines it had been brought down to the level of 1801. It has been more overpopulated than ever within the last few years, though from 1871-80, according to the register, the general population had yearly decreased about 19,000. During 1880, 42,605 persons had been swept away from the ranks of Irishmen; in 1881, certainly more than 50,000. In spite of these terrible blood-lettings thousands find no subsistence to-day, further thousands are rendered superfluous every year through new advances in agriculture, and if ever technical science should develop so far that for the production of the same wealth only one man is needed, sitting in the middle and turning a crank to move the whole apparatus of national production, Irishmen will have to arrange to disappear to the last man from Ireland and perhaps from the globe, if our present system should then take hold of the whole world ever needing less work for the production of all wealth.

“Modern over-population does not originate from a drying of productive force, but on the contrary from its *overflowing*. It is caused by our consumption not increasing in proportion to the productivity of labour, by our not consuming more as we produce more. The nature of the demand governs employers in their employment of labour; in consequence of unchanged sales and increased productiveness of labour less workers are employed. Some of the unemployed are superfluous; if they found regular occupation before, they now find themselves all at once forming part of the surplus-population.”

I complete the words of Schippel, by adding a few lines I wrote in reply to an article in the April number, 1890, of the *Nineteenth Century* from the pen of the conservative politician T. W. Russell:

“An old hobby is ridden by Mr. T. W. Russell in the April number of the *Nineteenth Century*: The misery of Ireland 50 years ago came from over-population.

It was real over-population according to Mr. Russell, for “even if land had been rent free, the labourers for whom it was incapable of providing labour could not have profited.”

Are you so sure of this, Mr. Russell? Let us investigate a few figures. The area of Ireland is 20,826,209 acres, of which,

according to J. R. McCulloch's description and statistics of the British empire of 1847, 13,000,880 were cultivated at that time. Let us leave aside the fact that a great portion of the remaining 7,800,000 acres could have been cultivated, if landlordism, with its habit of increasing rent as soon as the tenant had improved the land without paying for the improvement, had not been in the way. In spite of this obstacle, two million more acres have been put into cultivation since then, and millions more could be added. Let us leave this aside, though it is of great importance; let us simply divide the 13 millions among a population of 1,600,000 families of five persons each, and we obtain eight acres for each family, that is, twice as much as is needed to feed them, so that Ireland could maintain at least double the population of 1840, without counting the food which might be imported for industrial products. As, according to Arthur Young, this land is superior to that of England in point of fertility, and, as three acres are sufficient to furnish all the food a family needs, we could easily add eight millions more, if we include the land capable of cultivation, but not counted in the above estimate. The rental, acre for acre, amounted to 13s. 5½d. This amounted to £5 8s. for each family, and as, according to Mr. Russell, the average earnings of a labourer amounted to from 2s. to 2s. 6d. a week, the part taken by the drone was as much as the workers got, and from this source alone the income of the latter could have been doubled. The indirect effect would have been much greater, if that greatest of all hindrances to the free development of the country, idle landlords confiscating improvements and thereby preventing them, had been taken off. Look at the exports of that same poor and starving Ireland at the same period, exports mostly made to pay for the rent of the land due to absentee landlords. The exports of 1845, according to McCulloch, amounted to 3,251,000 quarters of grain and meal. A quarter of eight bushels forms the estimated consumption of an adult during a year, and we thus see that the grain exported, by itself would have been sufficient to feed half the population. Idle landlords took it away: the people starved, and politicians like Mr. Russell call it "Over-population." Why, on the same plan one single family might be considered as over-population if somebody took away from them the foodstuffs they produced to feed on. The exportations of Ireland in other articles besides grain and flour, amounted to about seven million pounds. The total produce of Ireland in grains, potatoes, garden produce, and flax amounted to £28,200,000. This did not include meat, bacon, butter, eggs, etc., and industrial products; but it would, even as it is, have yielded three times as much to each family as they earned, according to Mr. Russell, if we take into account the wages he mentions. Page 682, he gives the average income of a family at that time to be under £50, which would be about eight times as

much as the average wages paid to labourers, and therefore, would by itself indicate that it was not over-population and a deficiency of goods which caused the need of the people, but a wrong distribution ; for £50 a year for each family would be enough to feed and clothe them, would be a good deal more than what French and German populations possessed at that period, or what 90 per cent. of them possess even now.

If the annual drink bill, according to Mr. Russell, exceeds the annual rent paid for land to-day, it certainly must have done so in 1840, if, as the same writer states, people drink a good deal less now than they did then. He says that men drank to forget their misery. As the land system caused this misery, we here have another item which has to be taken into account when we investigate the real cause of the state of things described by Mr. Russell. The absence of landlordism would have turned into food a great part of the wealth which flowed into this channel. Where, after all this, can we find a justification of that unpardonable levity which sees in over-population the source of Ireland's misery, when the real cause lies so evidently before the eyes of all who do not intentionally blind themselves to the truth ?"

If anybody, who does not shut his eyes willingly, who does not make use of the overpopulation craze to lull his conscience to prove to himself satisfactorily, that there is not the least use in doing anything for his fellow men, as any improvement in their lot would only tend to make them increase so much faster, and thus tend to bring back the old misery ; if, I say, any man who looks things honestly in the face continues to talk of overpopulation as the cause of existing misery, there is no alternative, but doubting the soundness of his mind. No man who has the full possession of his senses can continue to talk in the same breath of *overpopulation* and *overproduction*, after having for one single moment thought over the real meaning of both words. Both cannot exist at the same time. We might have overpopulation with starvation, or a sparse population with a plethora, but they must of necessity be incompatible together. As however it is the existing conditions that we have to grapple with, and not hypothetical cases, it can be considered that we have banished the spectre of "overpopulation" from the field of discussion in regard to the social problem of the day. The question whether in the distant future this spectre might not take bodily form and become a terrible reality, is another matter ;

but certainly it is no question of our day. It should have just as little to do with present efforts for reform as the fear, that the cooling of our earth might at some future period make it uninhabitable and therefore restrain us from working for the progress of humanity. Judging however by past increase and considering the immense area of the earth's surface not yet brought into cultivation, as well as the continual progress we are making in agriculture, such a period could not be reached under the most unfavourable circumstances for probably thousands of years. I do not incline to the belief that it ever will be reached at all, for those philosophers, who busy themselves with such prophesies always base them upon precedents and analogies from the vegetable and animal kingdom, forgetting that man is something more than an animal and that the laws governing the other creatures do not invariably apply to him as well. Man is the only creature on the earth capable of increasing his food supply beyond the limits of natural growth by means of artificial stimulation. How far we have advanced in the attainment of this end has been admirably shown by Prince Krapotkin in an article of the June number 1888 of the *Nineteenth Century*, entitled "The Reign of Plenty," which gives an example of small culture according to which, as much asparagus had been raised on half an acre, by artificial cultivation, as would grow on 60 acres in the ordinary way, besides numerous other examples of a similar kind. Furthermore, we are the only animals capable of controlling our increase rationally. Our reason develops with well-being, and as a consequence we find individuals and nations showing a decrease in the number of their families in proportion to their well-being. (France and the New-England states may be cited.)

For these reasons there probably never will be a time when man will multiply to such an extent that the law of the survival of the fittest will apply to him as it does to the lower creation. And so fall those ramparts which the rich have been erecting around their consciences from the scientific material furnished by Malthus and Darwin. No more can the lack of desire to reform social evils shield itself behind the plea of uselessness because a corresponding increase of population brings with it the old misery ; nor can selfish-

ness find an excuse in babbling about the battle of life with its inexorable necessities.

We have done now with the master, who tries to prove to us the existence of invisible beans and in the same breath the uselessness of the crop, even if we clearly saw it. Let us see next what our socialist gardener has to say for himself.





### CHAPTER III.

#### THE ARGUMENTS OF SOCIALISM.

"It is all nonsense," he says, "about those natural laws of free competition with self-regulating powers of supply and demand. Their final effect is and always has been the oppression of the many by the few, of the masses by the classes, *Co-operation, not competition is the watchword of the future.*"

Our friend then continues to show us the anarchy, as he calls it, of our present system of production and exchange of wealth, which, according to him can only be remedied by turning over all tools and means of production to the state, and having all production and exchange going on under her management.

Before condemning free competition, however, our friend ought first to have ascertained whether we really have it under our present system. Because if we have not, it would certainly not be quite fair to accuse it without having given it a fair chance, to show what it can do. The question now arises: *is there really free competition* when the land and all the forces of nature connected with it are possessed by a few, who, together with others also possess the capital, *i.e.*, those means of production which are the work of man, and when those who are asked to compete with this fortunate minority, have nothing but their hands, connected with certain hungry stomachs that urgently require filling. It is certainly an impossible task, as long as the access to nature's store-house is denied them. Free competition between such unequally matched forces! Why, you might just as well call a fight between a knight in full armour, and a naked man, without any weapon, a fair one, with nothing but equal chances on both sides!



I do not blame the working, and often starving masses, that they get disgusted with competition of this kind in which the opponent, they have to fight against, leaves them the only choice of "I win and you loose," or "you loose and I win." The arrangement is very much like that between a friend of mine and his wife, which according to his view tends to insure perfect agreement between them on all questions; "for you see," said he, "we have settled the thing between us, that in all points on which we agree, her will is law, but in all others mine."

If a fire breaks out in a crowded hall, with only one small door, free competition in the effort to get out leaves a very poor chance for the weaker ones, or those in an unfavourable position with reference to the exit. The strong hand of a good police force compelling a quiet and orderly exit would certainly produce much better results. But does this prove that the principle of free competition is wrong? Certainly not; it only proves that, in certain unnatural conditions, unnatural interference might be preferable to the natural principle of *laissez faire*, just as in a fearful struggle to escape from a crowded hall, only a favoured minority would have a chance of escaping alive without the assistance of the police. It does not at all prove that interference must always be the correct principle, and liberty the faulty one.

If our hall had had plenty of wide doors allowing everybody to get out without the least difficulty, full liberty without any interference would certainly have produced the happier results. Let us first break down the walls created by monopoly, open the doors and give free excess to the means of getting a livelihood to every one who is willing to exert himself, and if then the frightful scramble for such a chance does not cease, it will be time enough to talk about state management.

We shall see presently that competition under conditions of liberty will govern the laws of production and distribution in a much more economical way than state management ever could do, at least so long as men have not advanced towards a state of intellectual and moral perfection far beyond that at which we have arrived at present. True competition will furnish an incentive and spur to effort that we shall certainly never obtain in an equal degree under socialism.

Even to-day under the reign of monopoly, we have not anarchy, in production and exchange, in the sense used by socialists, for the most perfect management of either by itself, would not only not improve, but infinitely intensify the social misery of to-day.

Let us for a moment suppose that state management would do away with that *enormous waste* going on all round us in *production* and *exchange* of goods. Let us suppose an improved and more economical organisation in all branches of work and large central bazaars taking the place of the multitude of little shops now effecting a similar purpose. What would be the consequence? Surely a vast increase of over-production unless the state forced a considerable part of the population to remain idle, feeding it out of the national stock as paupers. But I shall give the proof of this assertion in the next chapter, when the real cause of overproduction, as we call it, will be explained. I do not want it to be understood that production and exchange managed by the socialised state would be followed by such results. On the contrary, I fully agree with John Stuart Mill that things would go on much better in that than under the present system, without reform. I only say, that the substitution of state management for free competition would by itself, without a corresponding change in the laws which govern property (such as socialism equally demands), not only not improve, but intensify prevailing evils.

Assuming, however, first, that if an improvement of these laws, as well as the destruction of monopolies erected by them, were carried out, free competition would direct the offices of production and exchange infinitely better than state management could; and secondly, that without such a change in them the most perfect management of production and exchange would only make the muddle worse—it will be clear, that it is not a deficiency in our system of production and exchange, which can be made responsible for the evils we suffer under. If therefore I succeed in establishing these two points the palaver about capitalist or anarchical production would seem to come to an end.

Anarchical production, indeed! Can socialists show me a single article of human production of which we have ever produced enough, if the real wants of the people are con-

sidered, or again a single one, of which we have not produced too much, if the demand of only solvent purchasers comes into play? But if there is not a single article to be found which is not at the same time both over and under produced, what could the best management do to improve it? Ought there to be increase or decrease of production in such and such an article, and in which? Do we produce too much cotton? Why, taking the whole of England's yearly production in all kinds of cotton goods, estimated at one hundred million pounds, by Neumann Spallart, and distributing it among the two hundred millions of Europe's poorest, whose income does not exceed £30 for each family, it would only give them 10 shillings worth a head of cotton goods, which certainly would not be an extravagant luxury.\*

Supply and demand are so sensitive to the fluctuations of the market, that no government clerk could ever approach their perfection. As to the anarchy really, or apparently existing, exhibited by the waste of power in all departments of work, but especially in that of exchange, we shall see in the next chapter that this will quickly disappear with the causes which produced it, and that without the necessity of having recourse to socialism. Without a change in the laws of property, however, socialism would only make things worse even if it effected a saving in this direction, but with such a change *laissez faire* will accomplish the same object infinitely better. The proofs of this will be fully discussed in the following chapters.

To specify clearly the task reserved for these, let us now get at a clear understanding of the nature of the great problem, called the *social question*, the solution of which is here attempted.

Few people realise how completely this problem has changed in the course of centuries. If they did, we should not hear so much about the necessity of poverty, and the im-

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\* The yearly production of boots and shoes in Great Britain is stated to be about £16,000,000, after exports are deducted. Taking 6 shillings as an average price, which is certainly below the reality, above 23 million pairs more would be needed to supply every inhabitant with two pairs a year, and thousands of shoemakers are without work to-day.

possibility of obviating it with all the useless talk about Malthusianism and misapplied Darwinism, which usually accompanies it. Statistics showing the low average of individual income, if all the national wealth were evenly distributed; the Bible, with its misconstrued contribution "The poor ye have always with you," are also given as proofs of such assertions. Even anecdotes like that of old Rothschild given in the preface must lend their help.

There is not the least doubt that, if we take the actual stock of wealth and of production, such views are not without foundation. Even in Great Britain, the richest country in the world, £100-150 would be all that an equal distribution of incomes would give for each family. Though this would be wealth to most Englishmen, it is not enough to give full enjoyment of all the advantages our civilization could afford us. A decent living might be attained, but all the enjoyments of travel, of art, of refinements of which the rich partake must be renounced. One instance will shew us the futility of such reasoning. Want of work, the curse of our time, what does it really mean? It means some unnatural obstacle, preventing people from going to work and producing wealth. It means an enormous waste of available power in all departments of production. It means a greater waste still in the department of exchange. As far back as 1851 Stuart Mill calculated that nine-tenths of English merchants could be spared, and that the remainder could very well do all the work. Since then things have gone from bad to worse and to-day we may very well assume that one-twentieth of all merchants and shopkeepers could under a perfect organisation do the work required of them better and cheaper than the whole number at present employed. If anybody doubts this let him go into any town in England and let him count the number of shops, in each of which one or more workers, or would-be workers, are all day long anxiously waiting for customers, like spiders sitting in their webs waiting for a fly to be dispatched to them by Providence. What waste of valuable time, of rent, gas, coals, advertisements, furniture, stock, &c! Just calculate how many salesmen, a few bazaars properly organised to do the same amount of work, would require, and what savings in rent &c., could be accomplished by them!

Look at the number of wholesale houses, acting as go-betweens with all their travellers and clerks, which might be saved, if each manufacturer had his fixed customers taking all his production direct. Add to this again the saving of travellers and advertisements sent out by these manufacturers themselves, the enormous saving of working power expended by them on the commercial part of their business, that is on the work of selling their goods, which could mostly be saved, if sufficient outlets existed. Need I point out the enormous waste going on in the professions, in the liquor trade, in armies, in navies, or in the provision for paupers? Need I point out to the citizens of the greatest manufacturing country in the world what saving could be effected in production, if a greater demand so increased their sales that each manufacturer could confine himself to some speciality? If, by a better division of work, by improved organisation, not to speak of improved tools, by full employment of workers, the full productive power of the nation could be developed, does anybody doubt that at least three times as much wealth could be produced, even if our inventive power made no further progress? £300 for each family of the United Kingdom would certainly not be such a poor average to begin with, nor would it permit of such talk as may be heard from those who never give the subject real attention. If they had done so, it must have struck them how ridiculous it sounds to talk of the necessity of poverty, in the same breath in which they attribute to over-production (that is a superabundance of wealth) the cause of our misery.

Certainly we shall always have the poor with us, for there will always be poor human creatures deprived of the possibility of earning their bread, not by unnatural hindrances forcing them to idleness in the midst of a world full of chances for remunerative work, but from natural causes, such as lameness, blindness, insanity, &c. These will constitute the poor that we shall always have with us and for them there should be an adequate provision, without having to call for charity.

The time when poverty caused want, that is by a deficiency of wealth, has passed for ever. It is over-production, our advance in productive power far exceeding our actual production and our production always keeping ahead of the demands of the market, and thus keeping people out of work,

which is the real cause of our poverty. We must bear this important difference well in mind. Formerly the masses suffered, because there was hardly enough for all in any case, and if the minority took more than their share it was no wonder that the masses suffered. An increase of productive power was a sure remedy for an evil of such simple diagnosis.

At a time, in which misery comes from the increase of productive power, by means of which we can get along with fewer workers, and further, as we shall yet see, from the fact, that the favoured minority does not purchase enough of the articles produced, the solution of the great problem, the bearing of which has completely changed, has become much more complex and difficult.

The problem is no more, as it used to be: how are we to get wealth enough to feed everybody? It is now:

*How is it that with increasing wealth and better facilities for work of every kind, poverty increases because work is harder to get?*

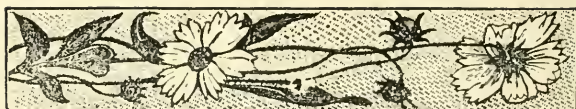
And the final and fundamental question, the really great problem of the 19th century is:

*What is it that prevents willing and able workers, throughout the world, from going to work and exchanging the labour products for which they have a mutual need?*

It is no more a question of production, but one of distribution.







## CHAPTER IV.

### *The Problem Solved.*

In answer to the question with which I closed the last chapter, I shall now try to present a solution of the greatest problem that poor humanity has perhaps ever had to deal with.

The question was: "What is it that prevents willing and able workers, all throughout the world, from going to work and exchanging the labour products for which they have a mutual need?"

Answers have not been wanting, but their insufficiency is apparent from the fact of their having a merely local application, even if it were not easy to show the threadbareness of the logical fabric upon which they are based. The answer can never be a satisfactory one, so long as it does not admit of universal application. As Henry George says in the five opening chapters of "*Progress and Poverty*":—

"This state of things, common to communities differing so widely in situation, in political institutions, in fiscal and financial systems, in density of population and in social organization, can hardly be accounted for by local causes. There is distress where large standing armies are maintained; but there is also distress where the standing armies are nominal; there is distress where protective tariffs stupidly and wastefully hamper trade, but there is also distress where trade is nearly free; there is distress where autocratic government yet prevails, but there is also distress where political power is wholly in the hands of the people; in countries where paper is money and in countries where gold and silver are the only currency. Evidently beneath all such things as these, we must infer a common cause."



**Under-consumption, the Cause of Over-production.**

What is the common cause? What is the obstacle now standing in the way of the free exchange of products between workers and, consequently of their complete liberty to produce? "Why, you acknowledge it is a question of free trade," says the free trader, quite forgetting that the free exchange can just as little take place in countries governed by the principles of Cobden. The prime condition of liberty of exchange is the right of exchange. Is this not the same thing under another name? Not quite. Liberty of exchange means the absence of laws trammelling free exchange. The right of exchange presupposes the ownership of the product which we want to exchange with the product of another. If producers do not own their products, it is perfectly clear that they cannot exchange them. If they only possess part of them, it is equally clear that they can only exchange part of them. Now we know that in civilised communities workers do not and cannot own their products fully. Even where neither rent, nor interest, nor profits of enterprise, nor wages of supervision claim their share, government requires to be maintained and part of the product of labour has to be given up for this purpose.

In many cases, the number of which increases with the progress of our industrial system and with better division of work, workers do not own their product at all, but only a part of its value, which they mostly receive in the shape of wages. This is immaterial; the question of importance can only be whether the share they receive is a full remuneration for that part of work contributed towards the joint product of all the workers who had a share in producing and realising the market value of the product. The state which provides the security necessary for the peaceful progress of the work; the professions looking after the health of the workers, attending to their education, to the adjustment of their differences or to religious worship; the manager who takes his share as wages of superintendence; the merchant engaged in the work of exchange—all are co-workers, contributing their part to the market value of the product, and their share, if fairly valued, can not be really considered a deduction from the just wages of labour. On the contrary, we may safely assume that, in spite of these deductions, labour is getting more than when it

owned the product in its original shape. The progress in the methods of production, exchange, and protection, which involves such deductions, added much more than it took away, even though a greater waste takes place in the different departments mentioned than would be strictly necessary. If government is too expensive, if too great a share is paid to merchants and carriers, there can be no doubt that the relative expenses under both heads are considerably less than they ever were before.

Anyhow this is a question we have not to treat here, where we want to find out the obstacles to the right of exchange. The share, appropriated from wealth produced by the labour of such partners as those above named, can not interfere with the free right of exchange, for their share must be consumed by them sooner or later and thus cannot interfere with free exchange of products all round. Let us suppose a group of one hundred workmen and one employer.

The one hundred workers are producing all necessities and luxuries, each one having his speciality; the employer gets one tenth of all they produce. Each worker will thus have only nine-tenths of what he produces, the employer will get the production of ten workers. The question whether the work of supervision and organisation, and, perhaps, of invention, accomplished by him is worth as much as he gets for it, and whether through the employer's work every worker, in spite of his giving up one tenth, gets more wealth than he would without the employer's interference, is one of no importance in regard to the question before us. All we want to know at present is whether the employer's confiscation of one tenth of all the wealth produced will in any way interfere with free exchange, with the full right of exchange. It evidently will not, if he consumes his share of wealth, or even if he puts it aside for future consumption.

The workers, instead of exchanging the product of a full day's work only exchanged that of nine-tenths; the employer takes the balance and every body has full work all the time.

Let us suppose now, that the productiveness of labour by means of inventions increases tenfold, as actually has been the case, if we compare to-day's results with those of the middle ages; let us further suppose that wages, that is, that

part of the product left to the worker, have quadrupled in that time, which, as we have seen in the last chapter, is far from being certain. In what ratio will the share of the employer have risen, if he gets the balance?  $P$  is the product, of which formerly  $W$ , the workers, enjoyed nine-tenths, and  $E$ , the employer, one-tenth.  $W$  had together 90  $P$ ,  $E$  10  $P$ . Now  $W$  enjoy  $4 \times 90 P = 360 P$  and the total of production being 1,000  $P$ ,  $E$  will get the balance of 640  $P$ .

Let us suppose that his needs have only increased tenfold, whereas his income has increased sixty-four fold; this would enable him to invest a great part of his revenues in luxuries or in new tools by which he could still further increase the productivity of work and consequently his income.

We might consider it unjust that one man should get so much, and others so little. We might reply to statisticians like Giffen, who exultingly point to the quadrupling of the workers' incomes as a proof of their increased prosperity, that their relative income instead of having quadrupled, has gone down to two-fifths if we take into account the increase of productive power; but all this would have nothing to do with the right of free exchange. Every worker would be able freely to exchange his products with every other worker, and there would be no want of work for any. Whether  $E$  takes his lion's share in articles of consumption, or whether he prefers taking it in new tools and machines by which he further increases the productiveness of labour, is immaterial. The latter form of investment might be of greater advantage to the workers, because it is not impossible that a small part of the increase of wealth due to new machines would fall to their share. But even supposing that it only increases the income of  $E$ , it could not do them any harm, so long as  $E$  continues to invest his surplus in the old way. But let us suppose now that  $E$  is the owner of the land and by that means of all forces of nature, all its accumulated treasures, without which work is impossible—and we have to make such a supposition, as otherwise there would be no earthly reason why the workers should not have left their employer, as soon as his share exceeded the value of his services. They would very soon have made for themselves as good machines as they had made for him. Let us further suppose that  $E$  made up his mind that he had machines enough and did not want any increase of luxuries for the time being. A

new feature of the problem would in this case present itself which had not been observed before. There would no longer be work enough for all the workers. They would like to continue as before, working full time and exchanging with each other the products of their work, giving the lion's share to E, but E will not let them have the use of natural opportunities any more and any longer than he needs their services which they furnish in payment. One half of the tribute they are in the habit of paying is all he needs, and the natural consequence is, that half the work will be all he requires, and all he allows to be done on his land. He now uses the rest of the land as a deer park. There being no other way of going to work than by using E's land, our workers will have to work half time, though they would be happy if they were allowed to make use of their leisure to produce for themselves the goods they are so much in need of, because naturally E only pays them half wages for half work. Very soon fifty of the workers will come to E and propose to him to work cheaper than the others, or to give him a larger part of their products, if he will allow them to work full time. E accepts, and from now there is no more work for fifty of the workers, for the remaining fifty do all the work and leave a larger share to E than the hundred left him before. Let us suppose that E increases his consumption fast enough to use up the new savings he makes in this way as otherwise there would not be full work even for the fifty cheaper workers. Things do not rest here. The fifty unemployed ones, pushed by hunger, finally underbid their former co-workers, and get the work themselves, or rather forty of them get it, for they work so hard, long, and cheap now, that E gets as many goods out of them as before out of the fifty, and since he does not need any more goods for the present, there is only work left for forty. These forty, reduced to starvation wages by their underbidding their former friends, call in the help of their wives and children. By these means they begin to get along a little better, until the increased production becomes too much for E, who consequently dismisses ten of the party. The unoccupied reserve army of workers amounts now to the number of seventy and their families. Want drives them to underbid the thirty, who with their families are working overtime to make a decent living. Finally a man working with his whole

family gets no more for fifteen hours work than he formerly got alone in ten hours. "There is no help for it," say the law-givers they appeal to, "work is slack. Emigrate (to other countries, where the same state of things takes place) or go to the poorhouse! We cannot fight against the laws of supply and demand." Some of the law-givers belonging to another party propose protection, or as that name has become hateful in their country by past bad experiences, they call it "fair trade." The workers cannot see what good it can do them, if goods are not imported which they cannot produce as cheaply as the workers of other nations, especially if these, to be even with them, stop taking those goods which they (the native producers) used to export, having attained the knack of making them better and cheaper. Said producers not knowing how to strike at the bottom of the evil propose certain measures, which in any case would do more good than those offered by the fair trade party. They ask for a maximum working day of eight hours, and for a prohibition of the employment of married women and children, and others even want the state to fix a minimum of wages. When the law-givers of both parties hear this, a terrible noise is raised against these socialist and anarchist agitators, who want to sap the foundations of our prosperity, the liberty of each man to work as long as he pleases, and to sell his work and that of his wife and children to whomsoever and as cheaply as he pleases. They ask the workers how they can afford to lose the wages of overtime and the earnings of their wives and children when even as it is they hardly know how to make both ends meet.

In this way things get worse every day. If a certain part of the unemployed did not open liquor-shops; if others did not artificially add to the cost of goods by waste in the work of exchange, thus forcing E to spend a little more and to occupy more workers; if others by becoming criminals and paupers did not make more work, especially by forcing E to employ some of them as policemen and soldiers, thus reducing the army of the unemployed; if the E's of the different countries did not from time to time quarrel amongst themselves and lead the unemployed workers mutually to kill each other, thus reducing their numbers; if these and similar means of decreasing *overpopulation* were not adopted, there would have been a terrible catastrophe long ago.



We have seen now that the direct cause of the evil is not that E gets a certain share from the workers, but that he does not take this share as fast as they are ready to deliver it, preventing them at the same time from working further until he feels ready to accept the part due to him. We have further seen that the power of thus impeding production is given to him by the ownership of natural opportunities.

The problem is so important, that I may perhaps adduce another parable for its illustration.

Robinson Crusoe, on his island had to work all day to satisfy his needs. When he got Friday to work for him, things began to improve. He got a little leisure once in a while and could think of producing articles of luxury. More slaves were procured. The result was complete exemption from work and a greater amount of luxury for Robinson, while the slaves had to work all day long with their primitive tools to provide these and the necessary means of subsistence for themselves. A ship arrived bringing them all the tools and machines which technical science has brought to civilised humanity. Very soon the slaves learnt how to use them. Their productive power increased tenfold. Where formerly the work of six slaves and that of their whole families was necessary to provide the entire colony with clothing, a single producer was sufficient now, and, in spite of this, every body was clothed better than before; for the cotton gin, the spinning jenny, the improved weaving machine, the sewing machine and other inventions of the same kind, facilitated so much the work for the one worker, that he was enabled to achieve more than thirty could before. It was about the same with agriculture, with breadmaking, house building, and in fact with all industries which before had been carried on by hand. Everywhere hands could be spared, and yet there was a larger production than before, so that all could live in abundance. The unemployed workers had to produce articles of luxury, which before could not be obtained. Good beer, wine, furniture, carpets, table services, and jewellery, or works of art of all kinds were made; in fact all these settlers could wish for. In time machines and tools, as well as methods of production improved more and more, so that workers in all branches could be spared. What did it matter? A great many more articles of luxury were invented and provided. One of the

slaves, who was very talented, entertained the company with musical and theatrical performances, another wrote books, others built pleasure carriages and yachts, etc. The general well-being increased continually with the increasing facility of satisfying every wish.

All this was very good until one day Robinson got up in bad humour, and gave the order to stop the general good living of the slaves, which did not please him. "He alone had a right to enjoy all those luxuries which everybody had been partaking of, and the slaves ought to be satisfied, if they got enough to eat and to drink, and had protection against wet and cold. All that went beyond this point only made them lazy and vicious." From that day the slaves were forced to live accordingly.

A week after this, when Robinson took a walk, he saw a great number of the slaves standing about doing nothing. He angrily called his head man and gave him strict orders, that only those who worked were to eat and have clothes and lodgings.

He was perfectly astonished, when some time after this the head man came to tell him, that a number of the men were dying of want. "Are you mad," Robinson asked him; "has not the land got as much and more stock of all the good things man needs, as we could wish for, and can we not produce as much more as we like? Are there not victuals enough? Are we short of clothing, or of houses?"

"On the contrary," the head man humbly replied, "we are forced to build new storehouses, because the old ones are filled to the top with food and clothing, and a great many of the dwelling houses are empty."

"Well?" asked Robinson, whose astonishment continually went on increasing.

"Yes, sir, that is all right, but you ordered that only those who work are to be fed, to be clothed and housed." "Certainly, and that was only right. Why don't the lazy fellows work?"

"Because there is no work for them."

"No work?" said R., more and more astounded and feeling his head to see whether he was not dreaming. "No work? Are you crazy, my man?"

"No, sir," replied the head man, who felt offended, "I have got all my senses about me and should be very grateful



to my master, if he would show me what work I am to give the men. In the brewery, to begin with, three men were employed, who had plenty of work in providing the beer for our people. Since your lordship has forbidden this luxury, so that only the beer for your table has to be brewed, I had to take away two of the brewers and the other is only busy one-third of his time, so that he is also doing the work of the cooper, who is out of work, too. It is the same with the people who made the carpets and other articles of luxury. Your lordship is provided for and the others are not to have any, so I had to take all the workmen from their work."

Robinson learnt a great lesson that day, which our economists and statesmen, as it seems, have yet to be taught, a lesson which in fact we ought to ponder over, if we don't want it driven home to our minds some day in a fashion we shall hardly relish.

I have tried to give a solution of the great problem by presenting two parables. In both the cause of the decrease in the demand for work is explained by the fact that workers have only a claim to a part of the wealth their labour produces, and that the parties to whom the balance has to be given up do not want it as fast as it is produced, and until they want it the workers are forced to remain idle, as they cannot get work without having access to natural opportunities, which are in the possession of the employers. The workers have to go hungry, because the employers have no appetite.

Do these parables correspond with actual facts as we find them in the real world? They partly do; but unfortunately the real picture does not present such clear and unmistakeable lines. Colours intermix and superpose in such a bewildering maze, that the unpractised eye cannot get a clear outline of the more important features. In very rare cases only do we find such a simplification of the problem as the two sketches here presented show.

Proudhon in "*Qu'est-ce que c'est la Propriété*" draws another picture, which, though apparently very plain and clear in its outlines, shows such a maze of labyrinthine intertwinings, that without a thread of Ariadne to lead us through, it is impossible to arrive at an opening where the light of day can enter and allow us clearly to see our way.

"If the right to live is common to all, so is the right to work and the right of occupation. Could the inhabitants of an island push back with poles unfortunate shipwrecked people, who try to land on their coast, under pretence of their property rights, without committing a crime? The mere thought of such a barbarous action is revolting to the imagination. The proprietor, like a Robinson on his isle, pushes back with pike, and gunthrusts, the proletarian whom the wave of civilisation submerges and who tries to grasp at the rock of property. "Give me work," the latter shouts with all his power at the proprietor, "don't push me back, I'll work for the price you are willing to pay." "I do not want your services," answers the proprietor, advancing the end of his pike, or the muzzle of his gun. "Lower my rent at least." "I need my revenues to live." "How shall I be able to pay you, if I do not work?" "That is your business." The unfortunate proletarian now lets the current carry him off, or if he tries to enter into the property, the proprietor covers him with his weapon and kills him."\*

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\*Chivalry in its death throes had poor Don Quixote for its champion. In England Mr. Auberon Herbert vows with an enviable earnestness that that Dulcinea of Tobosa, *Individualism*, is the most beautiful and virtuous lady in Christendom. While writing this book my attention was drawn to a new sally the noble knight was making on his Rosinante, to which I have already referred in the 3rd chapter. I expressed my hearty appreciation in the following article, which appeared in "Land and Labour," the excellent monthly of the Land Nationalisation Society.

"A LIBERTY NEWSPAPER."

"Under this title Mr. Auberon Herbert intends to start a weekly penny newspaper, 'to resist the continual encroachments of government, either central or local, upon the free judgment and the free action of men and women.' 'In describing the character of the paper, I should say that first and foremost we shall insist upon the fundamental right of each individual to direct his own life in such a fashion as seems right to himself, provided only that he is not an aggressor upon the equal rights of others. . . . We shall be democratic in a true sense as opposed to all forms of privilege.'

"All this is very pretty and reads well; but the fox's tail is bound to show: "We shall be conservative in a true sense as defending property against all attacks.' What Mr. Herbert means by this he has shown before on different occasions, when he stood up as a

Let us try to separate the different lines of the picture here presented to our inspection. We can clearly distinguish herein the main feature presented by the two parables before given. The worker perishes, because access to natural opportunities is denied to him by a monopolist of the same. Why is it denied? Is it also because the proprietor has more wealth than he can consume and for this reason sees no way of occupying the worker? No. Proudhon's proprietor needs his income. We may even suppose that it is insufficient to supply all his wants. The rent roll is small and he is in debt to a capitalist, who takes almost the whole of his rent in the shape of interest. Rents are low, because the fruits of the soil are almost unsaleable or only saleable at prices which hardly enable the cultivator to make a living, leaving nothing or very little for rent, because the market is as overstocked with the products of the soil as it is with all other kinds of goods. Why is it overstocked with the necessities of life, when we see a poor man perishing for the want of them? It is overstocked, because he cannot purchase any of these goods. Why can't he purchase them, when he is willing to offer in exchange his work capable of producing wealth as valuable as that which he wants to buy in exchange? *Because the access to natural opportunities is denied to him, without which work is impossible.* But we have seen, that the man who owns

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defender of our present system of landownership, which, considering his personal position, is not to be wondered at. We don't envy him the task he has put before himself. If he can shew how an individual can direct his own life in such a fashion as seems right to himself, without having access to the stores of Nature, to land, he creates a new philosophy. If he can further prove that one or more individuals can own, unconditionally, the soil of a country, without aggressing upon the equal rights of others, he accomplishes a yet more difficult task. We do not despair of the possibility of his accomplishing such feats; for belief is a great power, and a man who, without blushing and wavering for a moment, can emit the following article of creed is capable of the greatest deeds: 'Our creed will be, that the workman is destined—should he remain true to himself and refuse to be used as a plaything of political parties—to become gradually the possessor of the larger part of the capital of the country, as the management of voluntarily associated bodies improves, and as he himself acquires the habit of investment in industrial enterprises.'

these natural opportunities cannot let him have access to them at a rent which will enable him to live, because he himself is hard pressed by somebody else, to whom he is indebted. Our landowner is perfectly innocent of any share in the wrong. He is no idle spendthrift; but a man who works for his living as hard as he can. The income his work supplies him is barely sufficient to maintain him and his family, and the rent he gets from his land has to be paid to his creditor to cover the interest on his debt and to pay taxes. It is not his abundance certainly which causes the glut in the market nor his consequent failure to make up for the insufficient consumption of others by his nonconsumption; it is not this which lessens the chances of finding work for would-be workers. He would willingly consume more if he could.

But if he is so far indebted, that the interest of the debt almost or completely swallows the rent, he is only the nominal owner; his creditor is the real landlord. His creditor has been furnishing him with goods for his consumption, machines and tools used on the farm, all of them the products of legitimate industry. Our landlord could not pay for them

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"Poor workman! For a thousand years hast thou not been the plaything of political parties, for thou wast like dumb driven cattle, without a voice in thy nation's councils; and now thou hast acquired it, thou hadst better leave things alone and to thy betters, who have managed them so splendidly all this time that they are in the worst misery while thou livest a shameful life of luxury.

"Two more delicious morsels, and we have done with Mr. Herbert.

"He wants taxes and rates to be abolished gradually, and to become voluntary. What we have to expect from the class he belongs to, when we leave it to them to fix their own taxation, the history of the four shillings in the pound land-tax, which they gradually worked down to two-pence, shows conclusively, as to Ireland, he says, after having conceded it the right of Home Rule, 'But we shall not consent to throw any section of society to the wolves, and we shall insist upon the fair claims of landlords being settled in business-like fashion before the great change is made.' No objection to this, of course, can be found, if the questions who are the wolves? and what are the fair claims of the landlords? are settled. Perhaps the result would not be what Mr. Herbert thinks, and for this reason he would rather have English landlords settle this question than the Irish peasantry with the robberies of centuries fresh in their minds.

and pays interest on his debt until it is paid for. Is there anything illegitimate in this? Is the debt to become an extortion, because the interest of it is paid by rent extorted—to use the expression current in land nationalisers' writings—from workers on the land? Furthermore it is not our capitalist either, whose under-consumption causes the glut in the market, that deprives workers of a chance of work. Those who are responsible for this real cause of the crisis are quite invisible in all this.

Let us pick out the biggest of them, to illustrate our case, viz., the Rothschild family. The different branches of the clan, the London, Paris, Frankfort and Austrian Rothschilds are estimated to possess together between 200 and 400 million pounds sterling, representing an income of from 6 to 15 millions. Let us take 10 millions as representing the real figures and let us suppose that 1 million represents the yearly consumption, an amount certainly rather in excess of reality than otherwise.

No income falls from heaven. Somebody has to pay it to the fortunate owner, and, as a celestial downpour is out of the question, this somebody will have to work for it. Nobody denies this. Economists only pretend that the capital on which the debtors of the Rothschilds pay them interest produces this interest. They do not mean, of course, that this production takes place automatically, for they know very well, that capital in any shape, if left to itself, will decrease and gradually disappear through the attacks of nature's destructive powers. All they mean is that the use

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"Fortunately poor Individualism has better champions than this scion of nobility, who strongly reminds me of the man who was an ardent follower of Cobden and a strong believer in free trade, until it was proposed to touch the industry he himself was interested in, by abolishing the duty on red herrings. 'Hurrah for Individualism!' shouts Mr. Herbert, 'provided you leave me the monopoly which the state has kindly given me and my friends, or rather, which our forefathers established for us by robbery—the land of Great Britain and Ireland. If you do this, then Hurrah again for free Individualism in balloons, for the earth is ours.' Those who want to make the acquaintance of a real individualist, I recommend to read *The Outcome of Individualism*, by J. H. Levy, the editor of the *Personal Rights Journal*. He is an individualist who sees that *free land* is the *sine qua non* of Individualism."



o the capital in question by workers enables them to increase the productivity of their work to such a degree, that it not only leaves them higher wages than their work unaided by capital would have obtained for them, but enables them in addition to pay a certain hire for the use of the capital corresponding to the rate of interest established by supply and demand. (Wherever I use the word *wages* I mean earnings of workers of any description—those of the employer as well as those of the common labourer—of the former, in so far as they are the remuneration of his work of enterprise and superintendence.)

My opinion is, that never did a falser theory obtain general acceptance than this. This is the more strange as no theory could ever be more easily demolished by the most simple arithmetical proofs.

We all know that old problem of the penny lent out on compound interest at five per cent., since the time of Christ, which to-day would have reached a value equal to a certain number of globes as large as our earth consisting of solid gold.

Proudhon says in the book before cited

“If men, united in equality, gave to one of their number the exclusive right of property, and if this single proprietor placed with humanity a sum of 100 francs at compound interest, repayable to his successors of the 24th generation after the lapse of 600 years, this sum of 100 francs, would, if invested at 5 per cent., amount to the sum of 107,854,010,777,600 francs, a sum 2,696 times as large as the capital of France, estimated at 4,000 millions (50 years ago), or 20 times as large as the value of the whole globe with all moveable and unmoveable wealth. . . . The Fourierists, those irreconcilable enemies of equality, the partisans of which they look at as sharks, promise to satisfy all demands of capital, of work and of talent in quadrupling production. But even if they quadrupled production, if they increased it tenfold, hundredfold, property (he means land and capital with secured rent and interest claims) by its power of accumulation and capitalisation very soon would swallow products, capital, the earth and even the workers.”

We know the old tale of the inventor of chess asking as his only reward that the Shah would give him a single grain

of corn, which was to be put on the first square of the chess-board and to be doubled on each successive square, which to the surprise of the king produced an amount larger than the treasures of his whole kingdom could buy. It is this kind of chess-game which capital is continually playing with labour. All exertions, all improvements in the methods and tools of labour, the strictest economy, the severest self-denial are all powerless to compete with the rapidity of self-increase possessed by capital placed at compound interest, and they cannot keep up with its demands.

Ages had gone by, since sinful man had been driven from Paradise. The curse, not unmixed with blessings, like all punishment coming from such a source, which forced man to earn his bread by the sweat of his brow, had weighed upon mankind with a heavy pressure. The crime had been severely punished; mercy began to prevail. A loving angel was sent down by the Great Master, charged with the task of lightening the burden. The angel's name was "spirit of invention." He began his work by teaching man to make useful tools out of stone, wood, metal and other formerly useless raw materials. He taught him to tame animals to work for him and finally he made him master of the elements, pressing them into his service. The mountain stream rushing down to the ocean was forced to turn wheels and to grind the flour needed for bread, or to saw the logs with which houses were built, or furniture made. The wind, the merry son of the air, had to stoop to the same work, where waterpower was not available. The curse was lightened, but not taken off; man's wants had increased with the facility of satisfying them, and work was as hard as ever. But the hour had come when full mercy was to be granted to the children of sinful Eve. Fire offered its service. The most powerful of the elements, though it had condescended hitherto to furnish some comforts to man, as often had proved his deadly enemy. It would have done him even more harm than it did, if a family feud it had with water had not enabled man to make use of their deadly enmity to fight one with the other. Now the time had come, when the unrelenting antagonism between the two was to be used as a means of taking off the terrible weight of physical labour pressing upon mankind. The deadly enemies were imprisoned together in bonds of iron and



steel. A fearful struggle began. Water maddened by the mighty embrace of its enemy, foaming with rage till it turned into steam, tried all its power to break loose from the iron bonds and to kill the fiery element. The angel taught man how to use the fearful power so engendered to turn wheels and to do all the heaviest work. Millions of iron giants in this way were pressed into his service, working for him night and day.

Far down in the depth of the earth they moved their powerful arms to free the mine from destructive waters and to lift the treasures of the deep.

Imprisoned in iron cars they moved these with a speed exceeding that of the fleetest deer, drawing heavier weights than could the strongest elephants, or hundreds of horses. Pent up in ships they drove them forth through the waters faster, though heavily loaded, than the best oarsman ever impelled his light craft. But this was not all.

The angel "spirit of invention" again waved his magical wand and millions of iron and steel goblins came forth skilled in all kinds of work, spinning, weaving, knitting, sawing, grinding, printing, sewing, shoemaking, etc., etc. They were practised in all trades and their delicate fingers went to work with lightening speed, when the iron steam giants were put behind them to force them on.

It seemed that at last the golden era had come, of which men had dreamed for ages past without ever hoping to attain it. Without trouble, with almost no exertion except that of supervision, man had it in his power to produce boundless wealth to satisfy wants, which in former times the richest even did not know or dream of. All the luxuries art and refinement could invent were at the disposal of the poorest, if free scope was given to the wonderful giants and goblins, the numbers of which daily increased in astonishing varieties.

It *seemed*, I say, that the golden time had come; but it had not come. That envious spirit, that fallen angel, Satan, who once before in the shape of the serpent, had driven man from Paradise by seducing him to sin, from the first moment had watched the work of the beneficent angel with continually increasing disgust and anger. He knew very well, that if the plans of the Holy One succeeded, Satan's empire would be over for ever. Once freed from the cares and troubles of the struggle for existence and the battle of life, man would turn to

higher aims the powers God had given him. Art, science and ethics, would celebrate their highest triumphs; more and more would man break loose from the fetters in which his higher spiritual being was held imprisoned by earthly cares, and, getting into nearer contact with the eternal source, from which all spiritual life is emanating, would accomplish the great purpose for which he was created.

The state of things looked desperate. All was lost if some stop could not be put to the work of God's angel; but what was Satan to do? As he was looking over the dark army of vices, sins and follies which had done him such splendid service in past time, to see whether any one of his great warriors could take up the fight with the angel, he saw nothing but dejected faces. They all knew that they were powerless to battle with the heavenly messenger.

He despaired as he looked at that once valiant and victorious army he was leading, when among the follies of man he observed one little imp, who, instead of the despondent mournful look, all the others were wearing, looked at him in a saucy and self-conscious manner, which attracted his attention.

"What is the matter with you, Interest?" he asked the saucy imp. "You don't seem to be so dejected as your comrades are?" "Why should I be dejected, master?" replied the spirit, "am I not one of your favourite soldiers? Haven't I always been victorious under your august guidance? Why should I be less certain of victory now than I ever was before?"

"Alas," answered Satan in a sad voice, you do not know the power of the enemy we are fighting now. You are no match for the 'spirit of invention.'"

"Well, there is no harm in the attempt," answered the imp. "Supposing you allow me to try a duel with the fellow?" "You little fellow, fight the powerful angel, who is defeating all my army?" laughed Satan, "Yes, I alone, provided, of course, you allow my son 'compound interest' to help me.'"

"Are you crazy? you, with your weak little arms, want to throttle that immense army of powerful giants, and that more numerous one of wary goblins who have filled the world

by the command of the mighty angel, whose brains conceived them?"

"I intend to do more than this, your majesty. I shall make them turn traitors to their duty. Instead of their being a source of blessing to mankind I shall make them the producers of untold misery, worse than any man ever suffered from thy hands. I shall make man curse them and the angel who sent them. He shall be made to consider them as the source of all this misery, and to use his best powers to fetter them and to keep them from their work by protective, military and other repressive laws. He shall sigh for the good old times, when machines did not yet take away the work from poor men!"

"You will do all this?" asked Satan with an unbelieving smile. "Yes and a good deal more, if you let me have my way," answered the imp, full of self-confidence.

And Satan did let him have his way. The battle of giants began. Yes, it was a battle of giants and yet only a game; a fight of titans and yet only a noiseless, quiet sport, in which the imp was the victor.

Angel "spirit of invention," at first only laughed quite heartily, when he saw the little imp, who came to fight him. "Do you see those immense armies, obeying my commands?" asked he. Well, I have only to open the gates of my skull and just as many more will come forward to fight you, poor little fellow. You had better return to the master who sent you, and tell him that his empire is ended for ever, even if he lets loose all the soldiers of hell he commands." There is no need for his doing that," calmly replied the imp. "I alone, together with my son," compound interest, "whom you see peeping from my pocket, can multiply our number to exceed any amount of iron and steel chaps from your empire. Look here, my friend; before we begin the fight, let us first muster our forces, and to end this business in a peaceful way, I will make you a proposal. Look at this chessboard. It looks just like any other chessboard with 64 squares; but it has the peculiar quality of extending the dimensions of the squares, so as to always be large enough to accommodate all the soldiers we shall place upon them. Now, listen well to what I propose. I enter the first square with my son and you match one of your warriors against us. We enter the second

square doubled in number, you send two more warriors and so on every succeeding square. We agree, that we shall never more than double, and we further agree, that if, when we arrive at the last square and you have a single soldier left after occupying the same, we shall declare ourselves vanquished and Satan will leave this world for ever with all his troops. If I win, you and your army are to be at the commands of my master. Are you agreed?"

"Am I agreed?" replied the angel, laughing, as his eye glided over the untold millions of his soldiers. "Why, certainly, my friend. You had better send word to your master to pack his luggage, as quick as he can." All right, we shall see," said the imp in a calm business-like tone, and so the ominous game began.

In the beginning, the angel laughed, for though twenty squares were passed, no noticeable diminution of his forces was perceptible. Demon "interest" said nothing but attended to business, quietly doubling his army on every succeeding square. At the 30th square the angel ceased to laugh, and a few squares further he had to open the gateways of his fertile brains as wide as he could, urging on the new troops coming forward from it with all his might. Only one field more and he had to stop exhausted. He saw he was lost. "I despised you little fellow," he sighed with a despairing voice, "and I am punished for my vanity. I see there is no use fighting against you. Demon interest is more powerful than the spirit of invention. I am your slave. Command your servant!" "I am only the servant of my great master," dryly replied the demon. "Here I see him coming. He will give you his orders."

And Satan gave his orders. He commanded that the angel was to continue in his work with all his troops, which were to be increased with all possible exertion, so that humanity who did not know the nature of the antagonist it had to fight against, would always keep in fresh hope of final success, when the new troops were forthcoming. But as fast as they appeared, demon interest was to send forth a larger army to capture the new forces, to enslave them and instead of their benefitting man, make them increase the slave-chains which weigh him down.

It was a devilish thought, as could rise only in such a head. Just what gave man new hope had to be the means of deepening his misery. What to every eye appeared an unmixed blessing proved to be the incomprehensible source of greater need. Satan had been victorious far beyond his expectations; for those consequences of the battle of life always more intensifying and growing wilder, poverty, ignorance, crime, vice, and hopeless misery, appeared clearer from day to day, and there was no hope of reform, because the wise men of the world proved the impossibility of indubitable facts, reasoning that blessings could not produce misery.

But all this only proves that *compound interest* is wrong; it does not prove anything against *interest-proper*. An objection of this kind can hardly be maintained after one moment's reflection. What is compound interest? Is it anything else than the fresh investment of earnings of capital? In what way does the lending of £100 paid to me as interest upon £2000 differ from the lending of the original capital? If one is legitimate, the other is, if one is wrong, both must be wrong. This objection would not hold for a minute, and therefore the mathematical proof is furnished, that labour does not earn enough to enable it to pay interest at current rates and obtain decent wages, or even to get any wages at all. Therefore it must be clear, judging on mathematical grounds only, that capital does not produce interest even when in the hands of labour. If this is true, then interest must be an unjust tribute extorted from workers by capitalists.

#### Henry George's defence of Interest.

In Chapter 3, book 3 of "Progress and Poverty," Henry George investigates the reason and justice of interest, and after successfully demolishing the current argument based on the power which exists in tools to increase the productiveness of labour, usually illustrated by the plane-lending example of Bastiat, he finds another ground of justification for interest in the power of increase given to capital by the reproductive forces of nature, and by the in effect analogous capacity for exchange.

The element of time is the important factor through which, according to him, these forces produce the values represented by interest.



“It is true,” he says, that money will not increase, if put away. It only claims interest, because it can be exchanged with other kinds of wealth which claim interest, as for instance wine, which improves in quality, and bees, sheep, hogs, and cattle which increase in number, &c. But is it true that wine always improves in quality, when put away? Certain wines will, if well attended to. If not, and if put away too long, the element of time will develop the destructive forces of nature instead of its reproductive ones, or rather, it will develop a form of this reproductive power, producing changes, which, according to the estimate we put on them, are destructive. The conversion of old wine into vinegar may certainly, in a sense, be considered as an effect of the reproductive powers of nature; but it is certainly an effect which does anything but increase the value of the said wine. It is a change partaking exactly of the same nature as the fermentation of the grape juice, or the turning of new wine into old. The only difference is, that the prevalent taste which governs market values prefers new wine to grape juice, and old wine to new wine, but either to vinegar. It is the prevalent taste, not the universal one, for the writer, for instance, greatly prefers the unfermented grape juice to any of the later forms which wine acquires. If everybody thought the same, it is quite certain that the element of time would diminish the value of wine as it diminishes that of other products of labor. But even as it is, can we really say that an increase of value has been obtained beyond that which pays for the rent of the cellar, the labour of bottling, of supervising and of guarding against the risk of breakage, fires, robbers? Certainly we can. Nobody would invest capital in wine, if he could get back his outlay alone, including the wages of his labour. Why? Simply because he can get interest if he lends out the said capital, and therefore he will certainly not invest it in the wine business, if he does not expect to make at least as much out of this kind of investment, as he could from anything else. Here we have the simple reason, why a certain percentage will be added to the price of the wine, sufficient to compensate the wine producer for the interest he otherwise could have obtained for the use of his money. Instead of a cause we only have an effect. It is just the same with all the other examples

produced by George, or in fact with any examples of this nature.

The prices of honey, sheep, hogs and cattle, have as their components, rent, wages, insurance against loss, and interest ; but the last element only enters in because other investments will bring interest. If this were not the case the price would be so much less. Competition would bring it down to the level on which the regular market return for the other above-named elements of cost could be obtained. The market value of rent, of labour, of insurance against risk, together would give us the price at which the goods in question could be purchased. Again, we see interest is a cause, not an effect. But if I find the same fact everywhere, if I say that interest has been added to the price because it is obtainable elsewhere, do I not try to explain one effect by another, without ever finding a cause ; and should I not be forced to admit that there must be a flaw in my reasoning ? Certainly, if I could not produce the real cause. What is this cause ?

#### Monopoly the cause of Interest.

The real cause of interest is monopoly, and in the last resort, the greatest of all monopolies and the father of all the others, is that of *private landownership*.

As much as 350 years ago the great reformer Calvin, answering the arguments of Aristotle, who thought the taking of interest unjustifiable, because money put aside cannot produce money, said :—

“It is undoubted that money does not produce money ; but with money land is bought, which produces more than the returns for the labour applied to it, and which gives a surplus income to the proprietor, after all expenses for wages and other things have been met. With money a house can be bought bringing a rent income. Objects, with which things can be bought, producing incomes by themselves, can certainly be considered as bringing incomes themselves.”

If I have £100 worth of goods of any description, with which I can purchase a piece of land, bringing £3 worth of rental income, I should certainly be a fool if I lent this £100 in money or goods of any kind to any body unless he paid me at least £3 a year for the privilege of getting the use of my capital during that time.



Here we have in a few words the answer to the question where the real origin of interest is to be found. Not because old wine has by natural causes obtained an increase of value beyond that added by labour, storage, rent, etc., do we obtain the higher price, but because the same capital invested in land purchase would have brought a certain rent. When, instead of purchasing land with his money, our wine merchant bought new wine with it, he had to add to the cost of his wine the rent he sacrificed.

Land, though the principal and original source of incomes obtained without work, is not the only one. Every secure monopoly partakes of the same nature. If the state issues certain scripts called government bonds, by the ownership of which can be secured the monopoly of claiming as private income, a certain part of the taxes collected by the state, or in other words, the privilege of making use of the whole power of the state to force the workers into paying to the owner of the bond a certain portion of their earnings by means of the tax-collector, then every one who has capital in hand, which somebody wants to borrow will demand and obtain as much interest for the same, as can be secured by means of the state bond, with the addition or deduction of the risk premium resulting from a comparison of the securities offered on either side. Railway bonds and shares, canal securities, gas and water-work investments, mortgages, etc., participate more or less of the same character.

When I said that the land monopoly was the father of all these monopolies, I meant, that if the state had never parted with her rights in the land, there would never have been any government debts. As the sole landowner, the sole proprietor of the fountain of all material existence—the possession of which entails the right of levying a tribute from all the inhabitants equivalent to all their earnings beyond their legitimate wages, and even more if found necessary—the state with such a power would always have been the greatest capitalist in the land, so far exceeding all others in the magnitude of her wealth, that instead of ever having to borrow, she would have become the principal lender. She would have been enabled to build the railroads and canals from her own capital, and so gas and waterworks, etc., would have been built by the community.

The proof that, *without private ownership of land interest never would have existed*, and that, after its abolition interest is bound to disappear, will be given in the next chapter. I should not have entered into this subject so far as I have done in this place, if it had not been absolutely necessary to understand the real origin of the incomes our great capitalists are deriving from interest before proceeding any further. If the millions the Rothschilds are yearly receiving from the workers were nothing but a product of nature, as Henry George thinks, my way through the labyrinth of the great problem would be barred at the outset. It is only after having recognised the truth that interest is in reality a tribute wrung by the capitalists from the legitimate earnings of labour, and not a product of capital collected by the users of capital for its legitimate owners, that we can proceed on our way to the real solution.

#### Investments of the great Capitalists.

I assumed that the Rothschilds have an income of ten millions and that they only spent one of these. This fact means in the first place that the workers of the world have to deliver up ten millions worth of the wealth they produce, and in the second place that the R.s only take one million's worth of that wealth. This looks generous or seems at any rate to be beneficial to the general community; for either the R.s make a present to the workers of the nine millions they do not need, or they turn them into new capital, which means into new machines, into new railroads, new canals, etc., thus increasing the sources from which all the attainments of our wonderful civilisation spring.

We know that the R.s do not give away the nine millions, for their budget of charity is already included in the million they are supposed to spend. Do they build machines, railroads, etc., with the surplus in question? If they did, the social problem of the nineteenth century would not exist, nor would the social problem of former ages return in exchange. Everybody would be busy; there would be no want of work.

Want of work? Do we realise what that means? What progress have we made in the course of ages! Want of work was certainly not a complaint known in the times when the Pharaohs built their pyramids. Want of sufficient subsistence

for the workers might have been the cry; but fortunately we are past the times when the wealth producing power of humanity was so low that a minority could live in luxury only on condition that the majority was deprived of the needful. The millions consumed by the Rothschilds and Co. would not deprive the masses of the necessities and even of certain luxuries of life. Our thousands of millions of iron and steel slaves would attend to that. Needing only a little coal to feed them, which they help to produce from the bowels of the earth, they could give up the balance of their share to the human workers, leaving them enough to over-feed their drones and yet to have a sufficiency left for themselves.

Slavery as a legal institution is a thing of the past in civilised countries, but the modern chains, called "competition for the daily bread," which the civilisation of our nineteenth century has placed around the limbs of our "free" workers, are much heavier than those weighing down the slaves of antiquity or of Louisiana. "Work for all who want to work," would soon change "competition for the daily bread" into "competition for the superfluous," for it is only the army of the unemployed which presses down wages and puts the worker at the mercy of the employer, who himself by the same cause has to disgorge into the coffers of capitalism the wealth wrung from the workers. He only performs the office of a sponge, used by capitalism to surrender under its grip the life blood of the workers it has sucked in.

If the thousands of millions of unconsumed incomes were really invested in machines, factories, railroads and other productions of work, there would be plenty of work for everybody. Thrown out of one department labour would immediately find work in another. If improved machines lessened the number of workers required to produce a certain article, new hands would at once be required to make these improved machines, and as their number could never equal that of those they displaced or there would be no saving—the spare hands would produce new articles of luxury. Not seeing and understanding the obstacle, and convinced of the truth contained in the theory which demands the self-adjustment of employment in the different departments of work, our economists pretend that such self-regulation

actually takes place. We have seen in the last chapter how they manage to get over the inconvenience of facts which totally differ from their pet theories.

An exceptional circumstance took place at the time railroads were introduced, an unprecedented increase of long compressed travel not only gave full employment to the new vehicles, but also increased the number of horses and coachmen, whose trade short-sighted people expected to die out, whereas in reality more coachmen were required to carry people and merchandise backwards and forwards from the new engines of transportation, under the new system, than were previously wanted to do the entire business of transportation. This exceptional fact is, up to this day, made use of to prove that all improvements in the arts of production and transportation are bound to have the same effect, though statistics, as we have seen, show a completely different picture.

If the unconsumed incomes would find investment in new machines, &c., there could be no want of work. We should really obtain all the good things which our economists pretend we are enjoying. The beans would be there, if the pigs had not eaten them; real beans, not such as exist only in the imagination of our philosophers. Not only would the new machines, &c., continually afford employment for large armies of workers, but the number of hands employed by these machines would not decline in spite of their increased productivity, because a proportionate reduction of prices would increase the purchasing power of wages and the consumption of the cheaper goods in an equal measure. The absence of the immense reserve army of unemployed workers would render it impossible for employers to press down wages as the cost of living increased. On the contrary, the workers would have it in their power to exact an increase. The rock on which most strikes are bound to founder will be cleared away, when the unemployed are busy. When two employers look out for one workman, wages are high; as long as two workers apply for one vacant place, wages will have a downward tendency, in spite of all the strikes in the world. This tendency will be downward even when wages rise, if they do not rise in proportion to the increased productivity of labour. But even if the new machines could not find plenty of work

through increased consumption, things would soon right themselves. The great capitalists would sustain the losses caused by the new machines lying idle, having to rust in the shop or being sold at a loss. All this could not diminish opportunities for work, as long as the surplus incomes found their employment in products of work. As gold or real money is itself a product of work, even the method of hoarding the surplus in the shape of this kind of wealth could not have the effect of creating a scarcity of work. The value, *i.e.*, the purchasing power of money would rise, but this would, in the first place, increase the purchasing power of wages, which, even under present circumstances, are slow to follow changes in the value of the circulating medium, and certainly would do so much less at a time when the absence of the reserve army of the unemployed would make resistance against reductions so much more effectual. The increased purchasing power of wages would again stimulate consumption and production, and the hoarded treasures would soon come forth again to change into new machines required by the increase of demand.

We have now seen that if the Rothschilds—and of course all those for which they here serve as a type—invested their nine millions in machines, or if they hoarded them in cash, there would be no social problem. The earnings of workers would increase to such a degree, that finally they would become the capitalists, and the Rothschilds would disappear. But the Rothschilds do not invest their nine millions in such a way. They neither buy goods for consumption with them, nor new tools of production, nor do they hoard them. What then are they doing with them? How can they employ them otherwise? The answer to this question gives us the solution of the great social problem of the nineteenth century.

That this answer has not been given before has, for the most part, been caused by the want of a clear and generally accepted definition of a little word, the word "*Capital*."

### Definition of Capital.

*What is Capital?* I think that the definition which describes capital as wealth used for the production of new wealth, will cover most of those given by economists. Unfortunately



Capital, in the sense commonly used, in by far the greatest number of cases means something entirely different. Look over the stock exchange lists, in which a great part of what we call "*national capital*" is enumerated in its different forms, and let us investigate how much of this capital will stand the definition of economists. A great part of the capital in question consists of land. Land is no capital, improvements are. Even as it is, these form only a comparatively small part of the total of land values; but this part gets very materially reduced, if we deduct what has been taken from the land to make room for present improvements. If we only look at those improvements made by land owners, we shall certainly find a deficit against them, which probably would not disappear completely if we were even to add the improvements made by the tenants on their land. Anybody who doubts this has only to imagine that in the middle of England a piece of land had been left in the original state, that it had never been touched by human foot. Let us suppose it covered with immense trees, with a soil enriched to a great depth by the decay of former vegetation. Would such land not be worth a great deal more than the neighbouring farm, including all its improvements? If land to-day is worth much more than the land in primeval times it is certainly not due to the improvements made by landlords or tenants, but to those made by society, by the community, which built roads, canals, dykes to repel inundation, which made river regulations for the sake of drainage and irrigation; which enacted good laws and ensured public security; in short, it is the increase of population and the advance in science and art which have made the England we all know.

The claims of landlords to the right of ownership based on improvements made by them always reminds me of a joke which once happened in a grocery store. A man asks for a herring. He obtains it. He changes his mind and asks for a piece of cheese instead. As he is in the act of going off with his cheese, the shopkeeper reminds him that he did not pay for the cheese. "Why, I gave you the herring in exchange." "But you did not pay for the herring." "Certainly not, because I gave it back to you, don't you see?" The shopkeeper saw the correctness of the remark, but still felt puzzled as to how it was that, though everything seemed



all right, he had given away his cheese without getting any money in return.

The same conversation takes place between the people and the landlords, who follow the reasoning which philosophers of the Carey stamp teach them.

"You did not pay for your land," say the people to the landlords who make off with their booty. "No but you know, I gave the improvements which are worth as much as the original soil." "But you did not pay for the original soil." "I know, but I did not keep it, you know."

After land mortgages take an important place in the stock exchange list. They are no capital, whatever the wealth they originally represented, may have been. They are nothing but privileges empowering their owner to levy a tribute from the landowner. Part or the whole of the rent is handed over by the mortgagor to the mortgagee. As he who owns the rent is the real owner of the land, and as the one who pays it is nothing but a tenant under another name, mortgages may be considered as land property. They are therefore not capital.

We come next to government bonds. Part of them may be considered as capital, but only a very small part, viz., that alone which is invested in real products of labour, as for instance, in rail-road material, arsenals, ships, buildings, etc. How small the fraction thus invested, really is, can best be seen from the fact, that Leroi-Beaulieu on page 484 of his "*Essay sur la Repartition des Richesses*," wishing to show how large the common property is, and therefore certainly not underestimating it, gives a total of 4,000 million francs as representing the value of state and communal property in France, against a debt of over 30,000 millions, state, communes and departments being added together. If we consider that from these 4,000 millions perhaps half will have to be deducted for land, we retain only 2,000 millions, or one fifteenth of the public debt, as covered by real capital; fourteen-fifteenths are nothing but the market value of the privilege to employ the full power of the state for the purpose of collecting taxes from the citizens for the owners of the state bonds.

Railroads take an important place in the stock exchange list. A great part of these stocks and bonds represent land,

others represent water, that is an artificial inflation of the capital by the process called "watering of stock." \* Even where this hydraulic process has not been resorted to, the rate of exchange will do the same thing in a different way. If stocks are above par, this means that the privilege of

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\* The American, Guy Hampden, in an article of "Vox Populi," entitled "Mostly Fools," as an illustration of Carlyle's famous saying, that the population of England was made up of thirty million souls, mostly fools, gives the following statement, adapted to America; which shows how spurious capital is manufactured:—

"According to the Manhattan railway company's last annual report, its net earnings for the year were 3,658,486 dollars. The joint capital of the two companies merged to form the Manhattan company was 13,000,000 dollars, but after the merger this was set down by the concern at 26,000,000 dollars. The dividend last year was 8.09 per cent., equivalent to 16.18 per cent. on the true capital. As the roads were built from the proceeds of bonds, the stock really cost the stockholders nothing. The city might have built the roads for 16,000,000 dollars, which, in three per cent. bonds, would have made an annual interest charge of 480,000 dollars.

"Let it be borne in mind that, by the report, the net earnings for the past year are 3,658,486 dollars and 480,000 dollars, deducted from that, shows a balance of 3,178,486 dollars which is the sum the people now pay the chief gentleman and his associates for the privilege of riding through their own streets, or a tax of a 1 $\frac{3}{4}$  cents on each ride.

"Every labouring man who rides daily on this road drops into the till at the gate ten cents each day; and in the three hundred working days of the year deposits there thirty dollars. Out of this thirty dollars, 10.50 dollars, more than one-third, goes as a yearly tribute to—what shall we say? To the genius which can devise ways of wringing wealth out of beggary? To the superior sagacity which teaches men how to hold a trust for the benefit of the people, and to convert it into an inexhaustible mine for personal benefit?

"That the ordinary workingman pays one-fortieth of his income to enrich the millionaire railway owner is clear. This the state has given to a few individuals, and with it the power to mass millions through the profit on a service it is her own duty to render at cost of supply. The gentleman who was once the largest stockholder in the elevated railway, said that the franchise alone was worth 50,000,000 dollars. This admission was a happy indiscretion for the community, and the reason why the whole population does not enjoy this valuable franchise by making the roads a municipal enterprise, is that 'we are mostly fools.'"

collecting a tribute from somebody, adds a certain additional value to the paper in question, which to be sure is not represented by real capital. In railroad papers it is the monopoly of transportation given to their holders by the state, and the taxing power it implies, which principally adds to their real capital value. There are other stocks on the list, the value of which is partly composed of such monopolies, for instance those of gas and water works, of wharves, telegraphs, telephones, etc.

A striking example of how great a part of the value of stocks at times consists of nothing but fictitious capital is furnished by the stocks of the New River Water Company in London. A short time ago, the sale of an entire share took place, which brought in the fabulous amount of about £95,000. Perhaps not more than £5,000 or £10,000 represent the real value of the tubes, reservoirs, etc., falling to each share. Let us even say £25,000, which would still leave £70,000 of fictitious capital, representing nothing but the market value of the monopoly, which empowers the New River Water Company to collect a certain percentage of water-rates from every house holder in a certain district of London.

Even with shares of ordinary industrial enterprises, enjoying no special monopoly, only a part of their value, as rated in the stock exchange list, can be considered as real capital. Not only have we to take off the value of the land they own, but also the value of other monopolies, viz., of protective duties which may have found their expression in the rate of exchange. It is certain, that this part of the value cannot be said to consist of real capital. It represents nothing but the capitalised right to levy a certain tribute from the people by means of the protective or other monopoly laws, which permit a certain addition to the cost price, beyond cost and ordinary profits.

That mining, oil, natural gas, and water power shares represent to a great part nothing but land ownership, does not need any further illustration.

This little review of the stock exchange list shows us, that the greatest part of that which goes under the name of Capital in this world is nothing but a fiction, when we apply the test of the real definition given by economists. A com-

pletely different definition will have to be found for this kind of capital. *Capitalised tribute rights* would perhaps be the best way of describing their real nature, as they are nothing but the market value paid for the right of levying certain tributes from the workers. They approach slave values in their substance, as the value of a slave may be said to consist of the market price for the right to appropriate certain parts of the wealth produced by the work of the slave, but even a slave represents much more the type of real capital, being raised by human labour for the sake of producing more wealth. The right to squeeze tributes out of so called free workers, which is sold and bought on the stock-exchange has not even this foundation. Those who own these rights, not only did nothing towards raising the workers who pay them their tributes but on the contrary, by the very exercise of these tribute rights they do everything in their power to lay obstacles in the way of raising a healthy generation of future workers. The greatest part of national capital can therefore justly be considered as slave flesh in its worst form, and the stock-exchange is for the most part nothing but a slave market.

Before 1860, the six million slaves of the United States, at a low average valuation of 350 dollars a head represented a capital value of about 2,000 millions, at which rate they figured in the statistical lists of the national capital.

After the war these 2,000 millions suddenly disappeared, as we are not in the habit of including the value of free workers in the lists of national wealth. Now it is certain that free workers produce more than slaves and that the real wealth of the United States not only has not decreased, but has increased by the liberation of the slaves. We thus obtain the remarkable paradox that national wealth sometimes increases in decreasing. Is it different with our slave values? If all monopolies, including the greatest of all, private landownership, were abolished, enormous values would disappear from the tables on which Mr. Giffen and his colleagues compute the amount of national wealth. At one stroke, more than one half of these enormous figures would be struck out. Would the nation really be any poorer? Certainly not; just as free men produce more than slaves, so, freed from the yoke of those heavy tributes, exacted

from them by the holders of tribute rights, called capitalists and landlords, free from those obstacles which prevent the free exchange of wealth and thus diminish the production of wealth, our workers would certainly produce more wealth than now. The nation would be immensely richer, though statistics made it much poorer.

### Investments of Millionaires.

We return now to our friends the Rothschilds. I have no statistics showing the way their fortune is invested; but through the experience, which connections and nearly eight years of practical work in the banking and stock exchange line have given me, I know, that large capitalists as a rule almost exclusively invest their savings in those different forms of capitalised tribute rights, which henceforth I shall call by the name of spurious, fictitious or false capital. The reason is very simple. Investments in real capital are exposed to all the risks to which the productions of human labour are naturally exposed. From the first moment of their existence their decay begins, the rapidity of which can only be lessened, not annihilated by new additions of labour. Even where the destructive powers of nature have little effect, as upon the precious metals, which owe their high value partly to these qualities, human agencies have a powerful influence in rendering their possession more or less precarious. The best bank vaults have been broken into; wars and revolutions are apt to interfere with the safest methods of keeping this kind of wealth. The more capital fulfils its real task of serving labour as a tool for production, the greater will be the risk of loss. The uncertainties of business life are well-known. According to the statistics of Dunn and Co., the largest of all those commercial agencies giving information about the solvency of business firms, during the fifteen years ending in 1883, one firm in a hundred failed yearly. We can safely admit that for one firm which fails three liquidate with great loss to themselves, without neglecting their obligations to others. Thus one in twenty-five firms has to liquidate with loss every year, or the average life of commercial capital, as far as its owner is concerned, does not exceed twenty-five years. All those who have been in business, know what immense decreases in value take place, when a commercial



concern is forced to liquidate. Not only the value of long years of hard work spent in building up a trade, is completely lost, but the actual tangible values are sold for a mere fraction of their cost. According to Roscher, three large Manchester spinning establishments were sold in 1842, for £66,000, though they were valued at £212,000. This is even a good result, if we compare it with what we are witnessing every day, without suffering under an exceptional commercial crisis like that of 1842. In 1886 a clock factory of the Black Forest was sold for 75,000 Marks, though its cost, according to the books, was 600,000 Marks. In the same year the inventory of some chemical works at Berlin, costing 100,000 Marks was sold for 12,000 Marks to one of the creditors. The highest offer made by one of the tradesmen professionally buying such stock was 5,000 Marks.

Prospectuses of new stock Companies are very seductive as a rule ; so are the calculations of inventors or projectors, who try to induce capitalists into making investments ; but our large capitalists very rarely allow themselves to be caught by such seductions, unless monopoly rights of a secure nature are in question, or unless perhaps they see a prospect of immediately selling out at a profit to smaller capitalists. These are the fish who generally bite at such bait, allured by the expectations of large gains. The large capitalists know by experience, obtained through a better survey of the whole field, that the average chances of such enterprises are smaller than those offered by good securities, paying only small, but certain dividends. It is just as with a lottery. Every one knows that lottery tickets necessarily bring prices of a smaller total than the amounts paid for the tickets amount to. If it were different, it would not pay to start a lottery. Nobody would be crazy enough to buy up all the tickets in a lottery, unless he got them at a price which would leave a loss to the original sellers. The larger the investment the more certain the chances of loss are bound to be. Only small investors take to this special method, because, though they know that on the average they are sure to lose, they hope that they will belong to the fortunate few who win.

As the good securities are only to be found among the false capital, the interest of which is guaranteed by the ownership



of natural opportunities, indispensable to workers, or by the whole power of the state, large capitalists almost exclusively choose these investments.

A good proof of this has been furnished lately by Henry George's *Standard*, which, in one of the January numbers of 1890, gives the inventory of the fortune of a typical American millionaire, named J. D. Rockefeller. The greatest part of his fortune, reaching a total of 117 million dollars, consists of 68 million's worth of Standard Oil Company shares, the value of which consists for the greatest part of monopolies in oil wells or railroad transportation, land and transportation monopolies, *i.e.*, false capital. Real estate (ten millions) shares of the lead trust, the base of which is formed by mining property (land) and protective laws (monopoly), natural gas shares (land) bankshares, the security of which is formed by land or government bonds, town gas shares (mostly land and monopoly), etc., form the balance of the list. Only one million of the 117 seems to consist exclusively of real capital: shares of the Inman steamship line. Even here we have to take into consideration that the principal risk of the property falls upon the underwriters, mostly men who possess sufficient quantities of land or other good false capital, so that even here the security of the false capital is added. Of the whole 117 millions perhaps not twenty are real capital, about 100 are nothing but capitalised tribute rights, fictitious, false capital.

It is in this way that the nine millions ecomised by the Rothschilds are invested. They buy more land (already the French Rothschilds own 800,000 acres in France alone, and in Bohemia the Austrian Rothschild owns more land than the emperor) mortgages, government bonds, railroad bonds, mines and oil wells (land), etc.

This new investment gives no employment to anybody, for it only consists in the transfer of tribute rights, of slave property, from one owner to another, or in the creation of new rights of this kind, of new slaves.

### The Solution of the Problem.

A farmer has not been able to sell his corn at a paying price, for though there is plenty of corn needed in the world, those who want it have to sell the product of their own

labour, before they can buy corn. Our farmer needs those products as much as they need the corn; he wants new boots, new clothes, a better house, etc. Why do they not exchange; those different producers, who need each others goods; those farmers, who need boots, clothes, houses; and those shoemakers, tailors, clothmakers, builders, bricklayers, carpenters, etc., who want bread? It seems so simple, and the want of money would in no way interfere with the exchange; for what are cheques and clearing houses invented for? If each gives a cheque to the other on the same day all the cheques are good, all the goods are paid for, and all the exchange accounts are settled.

There is a very simple reason for the dead-lock, quite different from all those usually given, but clear as crystal when you once have got the key to the riddle. It is perfectly transparent, when you once have seen the cat, as the Georgeites are in the habit of expressing themselves, taking as an illustration one of those pictures representing a landscape and a cat at the same time, where you can only see the cat after having your attention drawn to it, and henceforth can hardly understand how everybody does not see it immediately. The simple reason of the dead-lock is that the workers of this world owe interest and rent debts to the Rothschilds and their colleagues. To satisfy these debts they have to sell a certain amount of their products in the markets of the world. Now, as we have seen, the Rothschilds do not buy goods to the full amount of their credit on interest and rent account. The total of the deficit, which for the Rothschilds alone, a single family, or let us say four families, is nine millions a year at the present moment, is calculated greatly to exceed 500 millions, if all the non-consumed incomes throughout the world which are not invested in real capital and therefore do not buy goods in the market, are added up. Those who think this amount excessive will please bear in mind that, according to Giffen, the annual increase of national wealth in Great Britain alone amounts to an average of 200 millions. We can safely say that not one half of this increase consists of real capital, or finds its equivalent in a proportionate increase of houses, machines, ships, furniture, clothing, or merchandise of any kind. More than half is represented by an increase in the capital

value of land, especially building land in towns, irrespective of improvements, by the increased value of monopolies, water-rights, railroad franchises, &c., by the increase of foreign debts, through the accumulation of uncollected interest—for we must remember that a great many debts, especially those of states, are paid by new loans—and by similar fictitious values, consisting in nothing but a creation of new tribute-rights or in a higher valuation of the existing ones. Thus Great Britain alone furnishes 100 millions of the 500. The United States furnish at least half more, say 150 millions. A single boom of real estate—as they call over there those rapid increases of land values caused by speculation running ahead of natural increase of population and wealth—will sometimes largely exceed that amount, and though reactions take place there is not the least doubt that the real increase will reach at least 150 millions yearly, independent of improvements, especially if we include all the different kinds of spurious capital. A low estimate of American real estate, exclusive of improvements, will give for the United States alone 5,000 million pounds. An increase in value of not more than three per cent., certainly below the reality, would already give our 150 millions. This increase is no real increase, but only one of slave values.

As we see, Great Britain and the United States alone amount to one half of our 500 millions, and the balance of the world will certainly give a good deal more than the other half. Think of the enormous increase of land values in South America, Canada, Australia, and of that in our continental towns! Think of Russia's mines and oil wells, think of water powers, the value of which increases with the price of coals and the increase of industry! But before anything we have to bear in mind the enormous increase of state debts through inability to pay interest or to pay for new warpaint, powder, and balls, &c., things which represent no enduring value.\* It is only the debt, and the increased taxing power its growing figures give to Rothschild and Co., which endure. Five hundred millions is certainly the lowest figure at which we can

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\*According to the Tenth Census of the United States the average annual increase of national debts of leading nations has been 489,335,079 dollars.

estimate that part of the yearly tribute exacted from the workers, which is not taken in real wealth, in actual products of labour, but is invested in the purchase of new tribute rights. The workers try to sell 500 millions worth of goods to satisfy the demands of their creditors, who do not buy one penny's worth of these goods, as they are already oversatiated by exercising the remaining part of their tribute rights, and as they do not want to invest their surplus in real capital, in the products of labour. The workers would very willingly buy or exchange with each other those 500 millions worth of goods; but they cannot do so, as they have to deliver the market value of these goods to their creditors, who do not take anything in payment, but new tribute rights or the money to buy them with.\* Those of the workers who have got tribute rights to sell gradually have to give them up; others make frantic efforts to sell their labour or its products. Our farmer had to sell his corn under cost, because the deadlock caused by the millionaires has so narrowed down the market, that one producer tries to underbid the other, so as to be enabled to satisfy his Rothschilds, and not as a result of anarchical production or exchange, as Socialists believe; but because there is not sale enough for all products, a fact which creates a devil-take-the-hindmost competition, instead of a peaceful emulation to do better than others, without hurting them. Instead of a pleasant march, during which each endeavours to help his neighbour, we get the terrible run and fight for life we see around us, because monopoly has been walling up one after another of the doors permitting the passage from want to plenty.

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\* Henry George very successfully shows the fallacy of the wage-fund theory, the antiquated economic axiom that wages depend on the ratio between the number of labourers looking for employment and the amount of capital devoted to hiring them. In Germany he would have been forcing an open door, for our German economic writers have long ago demolished this theory. There is never smoke without fire, though, and we have seen now by what preceded, that wages, after all, under the present state of things depend on the amount of fictitious capital, but the relation is not a direct, but an inverted one. We might say with perfect correctness that the demand for labour stands in an inverted relation to the amount of spurious capital existing in the market.

Our farmer, as a consequence of his being forced to sell under cost, cannot meet his engagements, and has to take a mortgage on his farm. His neighbour, the manufacturer, whose profits have in the same manner gone down, through the low prices and the great and expensive efforts he has to make to find customers, by means of advertisements and travelling agents, tries to improve his chances by the introduction of new machinery, which enables him to produce more with fewer hands. Unfortunately for him he is not the only one who has that excellent idea. Thousands of his colleagues all over the world who are in the same position have done the same thing. A general reduction of prices takes place in consequence of the saving effected.

But consumption does not increase in proportion to the cheaper price of the goods, for the workers who have been employed to make the new machines are only temporarily occupied, whereas, those whom the improvement throws out of work are thrown out for ever and their wages no more help to increase consumption. On the other hand, our manufacturer and thousands of his brothers have had to sell government bonds or land they possessed, or worse still, have had to run into debt to their bankers, who take a mortgage on their property. This has decreased their income and their consumption, as that of our farmer has diminished by the amount of the interest of his mortgage. The Rothschilds, Vanderbilts, \*Westminsters and Co. who finally get the government bonds and the land sold, or the mortgage bonds entered into by farmers, manufacturers, merchants, etc., do not increase their consumption, which before this had already reached its maximum capacity, or at any rate they do not increase it in proportion

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\*According to the tables of Thomas G. Shearman there are in the United States :

70 men possessing more than 37,500,000 dollars.					
90	„	„	„	11,500,000	„
180	„	„	„	8,000,000	„
135	„	„	„	6,800,000	„
1755	„	„	„	2,300,000	„
6000	„	„	„	1,250,000	„

55,000 men own more than half of the national wealth, which is estimated at 65,000 million dollars. Fifty years ago there was only one millionaire in the United States ; but beggars and tramps were equally scarce.



to the decrease in the consumption of the others. The deficit between consumption and production, or anyhow; productive power—for we cannot produce very long, when we do not consume—thus becomes worse from year to year. Our farmer finally has to give up the battle and leaves for the town to increase the army of the unemployed, either directly or by his competition for work. Our manufacturer becomes a bankrupt, his machines and stock are sold at one fifth of their cost price, his hands are thrown out of work; but the Rothschilds get their interest all the same, for the land is there, and whoever is going to use it has to pay them an increasing tribute. Perhaps the broken man will open a little shop somewhere where there are already more than can subsist and thus become one of the parasites living on the work of others; for every penny, which has to be added to the cost of goods to support merchants and shopkeepers beyond the amount really necessary to pay in the most economical manner for the work of distribution, is waste and food of parasites.

#### Causes Delaying the Catastrophe.

Parasites, too, have their uses in this world of ours. There are certain insects, which would destroy every leaf on earth, if some other parasite did not find it convenient to lay its eggs into their larvae, and if the young stripling coming forth from the same did not begin life by quietly eating up his lodgings. *Parasite against parasite.* It seems to be a law of nature holding good even in our social world. The big parasites who by means of their interest and rent proboscis suck the life blood from the social organism would ruin us much faster even than they do, if the smaller parasites did not suck back into it some of the life sustaining liquid.

There are other parasites in great number, which help to put off the inevitable catastrophe. Foremost among them is the criminal and the military parasite.

W. S. Gilbert furnished a splendid piece of satire in the *Times*, in saying that he never could understand the popular prejudice against burglars, who give so much occupation to innumerable employés of the telegraph, the police and the railroad; sometimes also to surgeons, coroners and grave-stone makers. All these the burglar keeps busy before he is



caught. As soon as he is in safe keeping, the services of a complete army of lawyers, judges, small and great jurors, reporters, jailers, and prison administrators, are in requisition. He certainly does more good than evil.

And our armies and fleets! How many hands they keep busy, which otherwise would increase the army of the unemployed! And the enormous sums spent for fortifications, armaments, new rifles, of which a new, more deadly form, is continually superseding that which has but just been brought out! Do we not owe it to these and similar causes, that we are enjoying, what we call a wave of prosperity at the present moment? We are modest; such a prosperity, such an improvement in business would, perhaps, have been called a depression 40 years ago; but let us not be ungrateful!\*

#### Depressions and Improvements in Business.

I have to explain here, how it is we have these intermissions between commercial depressions, for which even the causes just mentioned would not wholly account, if they were not reinforced by auxiliaries of great power.

These auxiliaries are ignorance and hopefulness. Simple though it is, when once understood, the real cause of commercial depressions is not known. Even great thinkers like Henry George, only partially realize the real cause. In "Progress and Poverty" he sees it in the forcing up of land-values, by speculation, which in discounting the future, creates an artificial dearth of land, rendering it impossible for labour and capital to get access to land on paying terms.

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\* I have just come across the following remark in a letter written by the Rev. Mr. Harold Rylett to George's *Standard* of Feb. 5, 1890, which confirms my views of the modesty we have acquired in regard to our estimate of business improvement. Mr. Rylett writes: "For my part I take leave to doubt whether this much vaunted improvement in trade is a very serious affair. In the poor-law district in which I reside, and which is regarded generally as one of the most prosperous communities of working people in England, we are confronted with a fact, such as this—that in 1888 there was in Hyde one pauper in every 110 of the population, while in 1889, the year of improved trade, we had one pauper in every 102 of the population. And this district was not singular in this respect. Neighbouring districts were affected in an exactly similar way."

Everybody is more or less influenced by his surroundings, and we generally form our judgment on what we are in the habit of seeing. It is no wonder therefore that an American, who perhaps had never been out of his native country, should be naturally inclined to look at the world in the light of his native surroundings, and to judge general by local conditions. Because the rise of land values in the United States seems to be and partly is a cause of commercial depressions, Henry George sees here the universal cause. Even in the United States, however, what seems to be the cause partakes more of the nature of an effect accompanying the real cause and, as very often is the case, intensifying the influence of the cause through the workings of the effect.

To begin with, I think it is an error to confound the rise of land prices with the rise of rent. Both are subject to totally different laws. Rent rises, when more rent can be squeezed out of the tenant. Speculation cannot force it any higher, nor can tenants as a general rule reduce it any lower. In the first case tenants would not be able to pay and as landlords rather take something than nothing at all, they will let at what they can get. In the latter case, though by combination or law we may sometimes see an exception to the rule, as a general thing competition is sharp enough to finally overthrow any such artificial means of regulating rent.

The price of land as a rule corresponds with the sum obtained by multiplying the rent figure by 100 and dividing the total by the rate of interest, obtainable for this kind of investments. This rate of interest differs very much in different countries and periods; but it is generally below the rate of mortgages—because these do not have the advantage of advancing in value, which land enjoys—unless the difficulties of collection add a risk premium (insurance) to the regular rate. In Germany, where good mortgages pay only four per cent. and where the rise of rents of agricultural land has been a little more than one per cent. for long periods, accompanied by great safety and little trouble of collection, the rate at which such rent is capitalised is about two per cent. below that of good mortgages. It is about two per cent. The honours and the influence connected with land ownership tend to lower the rate below the natural level. It would be lowered still more,

## RENT, INTEREST, AND WAGES.

if the ease with which mortgages can be sold, specially if converted into the shape of bonds did not operate a little in their favour. In Ireland, where political causes have reduced the certainty of undisturbed rent collection, and the hope of a rental rise, the capitalisation of agricultural rent takes place at six or even seven per cent., as some of the purchases under the Ashbourne act show, where from fourteen to seventeen years purchase was paid. Out of this six to seven per cent. not less than three per cent. consists of risk premium, *i.e.*, insurance, and expenses of collection. Though these facts furnish us a fairly reliable rule for the calculation of land values, we cannot always depend on them, for in speculation we have a disturbing element of great uncertainty. Sound speculation will not disturb the working of our rule, for it is nothing but an estimation of the rate of increase likely to obtain for the land in question. If experience shows that this rate, instead of only reaching the average of one per cent. in Germany, is likely to be three per cent, capitalisation would probably take place at one per cent., or less, or in other words 100 years purchase would be paid. But speculation for the most part cannot be sound, because it is impossible to estimate the rate of increase in the majority of such cases, where an exceptionally great increase is expected. In these cases the common way of calculation is entirely abandoned. The selling price of land is no longer based on a capitalisation of present, but on that of future rents. When the price paid for land near towns is calculated, it is very often not based on the small agricultural rent it brings, which may be even eaten up by the taxes, but on the estimate of a future rent obtainable for building sites. It is the same with agricultural land in new countries, where land beyond the margin of cultivation, which at present would not pay any rent, is held at prices based on rents expected at some future day, when such land will be desirable farming land.

Let us see now, how such speculation affects capital and labour.

In speaking of capital, of course we here mean real capital, for it is quite certain, that land cannot be too dear for spurious capital, as it is the supply and demand of the latter which creates the prices of land, for these are nothing but the market value resulting from supply and demand at

## THE PROBLEM SOLVED.

which tribute rights, or the privilege of exacting present or future black mail from workers are bought and sold. The larger the amount of spurious capital seeking investment, the greater the demand will be and the higher the prices which have to be paid or the lower the rate of interest, at which rent will be capitalised. On the other hand the quantity of spurious capital seeking investment depends on the unconsumed incomes of spurious capitalists and thus the very unconsumed incomes which are the cause of the depression determine its intensity by their quantity. We now see how high land prices are nothing but the effect of those causes from which depressions spring.

When we come to investigate the effect which booms have on real capital, we shall see how the effect strengthens and intensifies its cause.

In the times of booms, the general cause of which lies in the great quantity of spurious capital looking for investment, and the effects of which are specially observable wherever the chances of future increase promise a good average investment, the extraordinary competition of spurious capital will create extraordinary prices in all localities of this kind. Capitalists are only men and men mostly act like sheep, jumping where others jump and turning aside where others turned aside. This causes prices to rise suddenly and for some time makes them continue to rise. The law of inertia, by which any motion has a tendency to continue after its cause has ceased, operates in business evolutions as elsewhere. As long as the increase has been rational, viz., not exceeding the real values at which rents will sell in the near future, the large capitalists, *i.e.*, the owners of spurious capital, will buy. When this point, which their larger experience in such matters will show them better than the ordinary business man, is reached, they will stop and if they hope to buy back cheaper at a future period, they even will sell. It is the small fry which for some time yet continues the upward motion. It seems such a splendid thing to them, this easy way of making money, which appears to be without limit. Why invest your money in business, in real capital, when false capital brings such profits? A, who has shares in an industrial enterprise, sells them to buy land. B, who has some money lent to business men takes it back

to go in for land speculation. C, a manufacturer, who intended to enlarge his factory, thinks he had better put it off and use his money to buy some town lots, which he soon expects to sell at a large profit. D, a farmer, who has saved some capital, which he was going to use for the improvement of his farm, decides to wait and meanwhile to buy some land in his neighbourhood, which he does not need, but expects to sell, when it has risen in price. He even buys three times, as much as his means allow him, taking a mortgage for the balance. It is in this way, that the formation of real capital is prevented in hundreds of cases in which savings, which would have been used to give employment to workers, find investment as false capital, giving work to nobody and finally only increasing the unconsumed tribute rights of a surfeited minority, the only ones in most cases who profit by the boom, as when the inevitable crash forces the dupes to sell their boom lands, they buy back at lower prices, what they sold when prices went beyond their legitimate level.

This is the way in which speculative risings of land values keep capital from investment in business enterprises and labour from getting employment.

It is not because rents are too high, for they never can be higher than workers can afford to pay and it is only rent not the price of land, which has to be looked at, when we speak of labour not being able to get at the land.

It is not because, as George says, capital does not obtain the minimum return below which it cannot be preserved—for even in the best times capital will not offer itself for investment, if it only gets enough to pay for its preservation, as long as land or other monopoly investments will afford a rate of interest beyond the cost of preservation—it is because in the periods of booms capital more than usual shuns real investments in active production, as false investments in the purchase of tribute rights seem to offer so much better chances. It is because the real causes of the depression have been greatly strengthened by the effects of land speculation.

When wars, by means of wholesale destruction of wealth, temporarily create a large consumption which for the time compensates for the deficit caused by the under consumption of millionaires, we generally find a great activity in business,



which never can last long, as the new loans made by the states to pay for the expenses and devastations of the war have only increased the volumes of false capital and of its unconsumed revenues.

Henry George is completely mistaken, when he tries to explain the cause of depressions ascribed by him to speculation in land values, by assuming that the high price of land prevents the production of raw materials without which industrial workers, who would willingly spend their labour upon them, or exchange it against them, have to lie idle. Anybody, who ever observed the markets during industrial depressions, knows very well that at no time are raw materials so abundant, so cheap and accessible as at such periods. There is no department of production, in which the suffering is greater in such times and in which the workers try harder to get rid of their products at the lowest prices, than in those of agriculture and mining. How then can anybody say that the depression is caused by the inaccessibility of raw materials?

In fact, this is just one of the remarkable features, which distinguish modern depressions from those of ancient times. Formerly, when bad harvests, war or other causes impoverished the husbandman, so that he hardly had enough to eat for himself, and could not bring corn to the towns there to be exchanged against the products of industry and commerce, it was easy to account for depressions. Henry George, then, would have been borne out by the facts, if he had ascribed their origin to the inability of the farmer to produce the raw materials without which industry and even life itself are impossible; but how is it admissible to come forward with such reasoning at a time in which fields go out of cultivation because the immense stocks of corn have pressed down its prices below the paying limit?

When Pharaoh had the well known dream about the seven lean and the seven fat kine, the task of Joseph who had to explain the dream was a comparatively easy one. The fat kine were fat years, the lean kine signified years of scarcity and this interpretation once accepted, it was not difficult to provide a remedy for the impending depression. All the wisdom of Jacob's son would have been at fault however, if anybody had told him, that a time was coming, when people



would suffer hunger, because there was too much grain in the market, so that the storehouses could not hold it. Would he have been satisfied with an explanation which told him that the real cause of the evil was that labour and capital could not get at the land? "Why, how is it, then that there is such an enormous stock of corn?" he would naturally have asked, "If the calamity comes from too great a stock of corn, which has to be disposed of, before people can find new work, how is this state of things to be remedied, if labour and capital can get at the land to produce a still greater stock of this unsaleable corn? I can see it, just as little as Joseph. Will Mr. George explain? I have dwelt at some little length on his theory of depressions, because even though his own explanations do not cover the field, he at least sees and shows the hollowness of other theories, by which sometimes people try to account for the prevailing business epidemic, and because when a clear head like his fails to pierce the darkness surrounding this problem, it need not astonish anybody, that the great body of business men have no idea at all of the real cause underlying commercial depressions.

#### General Ignorance of the Real Cause.

Ask any manufacturer, merchant, shopkeeper, what he thinks might be the true cause of the stagnation in business and ten to one he will tell you that there is no confidence in the maintainance of peace, that this absence of confidence prevents capitalists from embarking in new business enterprises, and makes everybody afraid to take in more stock than he can help. Besides, there are the enormous expenses of governments for armaments, which bye and bye get so heavy that they are bound to crush us in the end. "How can we afford to keep millions of our best workers idle, feeding them, instead of them feeding us?" It is strange, that these people never try to account for the remarkable fact, that it is just when the greatest armaments are made, or even during great wars, when more workers are taken away than ever, that confidence comes back, and business revives. Logic is not the habitual companion of fear or hope. Both once in possession of the field, defy all attacks of sound reasoning and generally succeed in constructing their own groundworks of

sophistical reasoning. There are mental epidemics as well as physical ones. One of the most curious examples of these, which is very little known, was observed in Würtemberg during the month of March, 1849. On a certain day of that month, the 25th, all over Würtemberg people thought the French were entering the kingdom, though no French army crossed the frontier. There was almost no telegraph; but all over a country, which required days to get its different parts into communication, people armed on that same day and began marching westward, to meet the enemy or fleeing eastward to avoid him. In towns and villages, none of which knew anything of the other, the same report sprang up at the same time, without anybody knowing who started it. The highly interesting facts were even collected in a little pamphlet "*Der Franzosenkrieg*," Samstag 25 März 1848 (Erhard Burg, Reutlingen) as an illustration of one of the most extraordinary cases of mental epidemic spreading, as it were, on the wings of the wind or the waves of ether.

Extensive armaments, a sudden extraordinary increase of railroad building or any other cause, suddenly throwing money into the market, which otherwise would have been kept back, as the common parlance goes; in reality turning into real capital what otherwise would have been invested as false capital—cause a revival in a few branches, which through the ramifications of trade extends to others. As the general idea has been all along that the depression was only caused by lack of confidence and that business must get again into its old channels as soon as confidence revives, this slight improvement apparently brings the long expected turning of the tide. Hopefulness spreads contagiously to all quarters. Shopkeepers give larger orders to travellers to be better prepared when orders will flow in, travellers report to headquarters a general revival of trade; merchants take in larger stock of goods; manufacturers engage new hands, put up new machines, build new shops, etc. All this increases consumption and further revives trade, thus showing to the business world that their optimistical views were justified. Effect strengthens cause and cause produces new effect. The long expected period of renewed activity and prosperity has at last returned and all is well that ends well.

### The Relapse.

But the real causes of the depression have been at work all the time with ever increasing intensity. The new debts made by governments and private firms, manufacturers, enlarging their factories with capital raised on mortgages, or railroads and canals built with the capital of the millionaires, have immensely increased spurious capital and the incomes flowing from it, without materially increasing the expenditures of their fortunate possessors. In spite of the large government expenses, or of the immense amounts of false capital suddenly changing into real wealth by the enlargements of manufacturing and transportation facilities, the thousands of millions of capital non-consumed incomes soon make the increase of false to exceed that of the real.

The natural consequences are inevitable. Shopkeepers begin to see that orders do not come in as fast as they thought they would, that they fall off, in a quite unexpected manner, which is the more disagreeable, as on the strength of the revival, new competitors have established themselves in the place, who take away part of the trade and reduce the small profits still more. As a consequence travellers are sent back without orders. Merchants and manufacturers send away part of their workmen. This further decreases consumption. Debts made on the strength of the expected permanence of the revival become due and are not paid. Notes are protested, banks stop payment. The panic which now begins to spread, takes an epidemical character from the same cause, which intensified the effects of hopefulness. The crash sets in, beginning a new period of depression, exceeding the preceding one in length, as this has exceeded the one before.

The effects of compound interest by their very nature are bound to continually intensify the real cause of the depression. If it was not for the waste caused by wars, armaments, pauperism, criminality, liquor shops and overcrowded professions, which prevents prices from reaching a lower scale and affords chances of turning part of the newly formed false capital into real wealth, the creation of which gives employment to workers; if it was not for this waste a catastrophe of the greatest magnitude would have arrived long ago, com-

pared with which all similar calamities the world has seen would dwindle into nothing. It is sure to arrive in spite of all we may do to delay it. There is no fighting against demon "interest," and his son "compound interest." Perhaps, unless a terrible war, such as the world never before saw, give as another breathing time, the present revival will be the last of its kind, will have no successor, when the inevitable crash will have gathered it to its forefathers.

### Changed Character of Depressions.

To fully understand this, we must clearly bear in mind, that commercial depressions have completely changed their character within the present century, the era of the Rothschilds, Vanderbilts, Goulds, etc. Depressions of old times were easily accounted for. When a thirty years war devastated Germany, so that the husbandman was without cattle and seed, and was thus disabled from producing the necessities of life, he certainly did not get enough of them to exchange the surplus against the industrial products of the town and the difficulty of finding work for the inhabitants of these was easily accounted for. When the swindling operations of a Law plundered great numbers, depriving them of the capital with which they had carried on their work, and wasting it in profligate expenses, the stoppage of business which followed, was not very astonishing in its nature. Our present depressions are the consequence of entirely different causes, causes which formerly were followed by general prosperity. It is the continuance of peace, the great progress made in all the arts and sciences, as well as in the methods of work and of government, which are the causes of our depressions. It is the relapse into barbarism, war and its destructive forces which in our days are the factors of renewed activity. But how is it that all of a sudden we experienced a prolonged depression, setting in for fifteen years, such as never was known before in times of universal peace, hardly interrupted by temporary improvements—improvements which formerly would have been considered as depressions and which only appear as improvements when we compare them with what went before? The explanation is not a very difficult one. From 1815 to 1841

the void made by a war of twenty years duration, a war which had raged through all Europe and partly even in America, had to be filled up. Besides, the invention of the steam engine was the beginning of a new era in technical developments, necessitating immense sums for the erection of factories, machines, etc. The effect of the unconsumed incomes upon trade not being felt as yet, investments of this kind offered less risk than to-day, and the unconsumed incomes of the few great capitalists were mostly directly or indirectly invested in channels, where they did not impede the free exchange of labour.

From 1841 till 1860, the era of railroad building, investments in this department gave a new outlet for the unconsumed millions. Though one of the principal foundations of the spurious capital of our time was thus laid—not only because of the capitalisation of transportation monopoly rights, but mainly through the impulse given to agriculture and industry and its effect on land values, the present effect, notwithstanding, was a favourable one, for the unconsumed incomes found their investment in real capital, in the work of human hands.

1860 to 1873 is a period distinguished by a series of the most destructive wars known to modern history, and by their immediate effects. The Italian, German-Danish, Prussian-Austrian, German-French wars on the European continent, and the Secession war of North America caused such an immense destruction of wealth, necessitated such unheard of emissions of government loans, that the savings of capitalists found an outlet into the channels of actual wealth production, but only by creating future false capital in such immense quantities as had never been dreamt of before at any period of history. Especially so if we add the great development of the American railroad system with its unprecedented gifts of millions of acres to the capitalists, the foundation of vast accumulations of spurious capital forming the fortunes of thousands of American and European millionaires.

Here we have got the reason, how it is that since 1873 we have entered upon a new era of commercial depressions totally different from its predecessors. We are reaping what the preceding periods have sown. That which had been real wealth then, giving employment to labour—labour



which if it had been better organised would have resulted in a material improvement of wages and general well being—has now turned into spurious capital, which with its quickly narrowing coils threatens to throttle us faster and faster.

### Picturing the State of Things.

We can compare the course of events to the descent of a mountain stream, which rushes down a continually steepening decline.

In the period represented by the years 1815-41 we see the stream wending its way slowly through a wide expanse of country of a gentle decline, which for a long series of years has been parched and dried up by the heat of the sun and hollowed by volcanic eruptions (wars and revolutions).

A dam built across the bed of the stream (building of machines and factories) had helped to prevent the descent of the stream. It could not do so for ever. The stream rose and rose until the edge of the dam was reached, when suddenly it gushed over the top of the dam and formed a waterfall (crash of 1841). The stream continued its downward course; but it could not make any headway, as an immense hollow (building of railroads), which presented itself on its way, had to be filled up. When the hollow was filled a new dam was built, resulting in a new waterfall (crash of '56). The force of this crash was greatly increased because of the participation of a great deal of real capital in railroad building, which was withdrawn from other branches of production. Its owners, as usual, took the risks (the shares) and lost their capital, whereas the spurious capitalists for the most part took the safer mortgages. After this another hollow had to be filled (wars of '60-71) when finally the border of the volcanic territory, where such natural cavities abounded, was reached and the stream approached a steeper part of the mountain. The descent did not take place immediately, however, for from '71 till '73 a high dam was built along the edge of the abyss. (Over-stimulation of production; limited Companies springing from the soil like mushrooms). At last the edge of the dam was reached and the greatest fall yet known, a perfect Niagara, was the consequence. The turbulent water had destroyed the dam (crash of '73). From



this moment the stream went down the incline faster and faster with a very steady current, for the lakes served as regulators of the water supply. (Accumulations of spurious capital during the preceding periods forming the body of the stream of ever-increasing unconsumed incomes.) At the end of 1888 the occurrence of a hollow in the bed of the stream (war armament expenditures) which for a moment stopped the descent of the waters, or rather weakened the current, immediately gave courage again to the dam builders undaunted by previous failures and the result has been a new lake with comparatively quiet waters which, however, is rapidly approaching the edge of the dam and preparing for a new plunge. Whether we ever shall have another stoppage of the roaring waters, before they reach the sea—the final crisis—nobody can tell.

#### A Question Concerning All Classes.

We can now clearly see, that we are dealing with a question which is far from concerning the manual labourer alone. There is no occupation, in which men work for their bread, which is not affected. The most difficult question a father has to ponder over nowadays is : “What branch of occupation can I advise my children to take up?” There is none, in which the ever-deepening chasm between production and consumption and the scarcity of paying work accruing therefrom, has not narrowed the doors of entrance to such a degree, that only a limited number of specially favoured applicants can get admission.

Commerce? I translate an advertisement from Number 196 of the “*Leipziger Tagblatt*” of 1888.

“After having obtained the privilege of carrying on a bookseller’s trade in Leipzig as far back as 1873, I ventured to open a little bookstore, middle of last month. After three advertisements in local papers and some circulars sent out, I already had the good fortune to obtain an order from the 500,000 inhabitants of Leipzig and surroundings to the amount of 60 pf. say sixty pfennige (7 pence). I connect the bold hope with this interesting and glorious result, that the good will of my esteemed fellow citizens will in the course of a further month perhaps increase to a total order

of 65 pf. and I herewith humbly offer my services, especially to the gentlemen of the university."

But why did the man begin business on his own account, if there were booksellers enough in Leipzig? Why did he not rather take a place as a clerk?

Let me answer by the following report taken from the "*Leipziger Zeitung*," an official paper, during the year 1889 and dated from Berlin.

"About 67 per cent. of commercial employees have a monthly income of 100 mark (£5) at the outside; 18 per cent. 100-200. All the time there are 29 per cent. out of work, almost a third of all capable commercial employees."

The liberal professions? From 1874-84 the number of students in German universities has nearly doubled. In 1874, when there certainly was anything but a scarcity of students, the number of all German students was 13,800. In January '84 it reached 27,454. Academies of agriculture, and forest culture, architecture and technical pursuits in general, or of commerce are not included. Medical students increased from 5,000 to 6,500 within 2½ years. Law is overcrowded, etc. In France the number of female teachers waiting for employment in 1887 was 12,000. Their number is continually increasing. There are always ten candidates for one place. *The Times* of 10th August, 1882, says:—

"The truth is, in any instance whatever, a man of only ordinary abilities and under only ordinary circumstances, enters life only to make the discovery that everything is against him; whichever way he turns, he finds a lion in the path. Competition of course he finds, for there are sure to be many like him, and some a good deal cleverer, perhaps less scrupulous, too. He finds it impossible to make a fortune, or even a competence, or even to pay his way. He finds it impossible to make good friends, impossible to rid himself of burdens, impossible to keep up an appearance, or *even to be* quite honest, he will perhaps come to think. He has generally to discover before long, that the world, to use an old phrase, is made up of flats and sharps, and that he comes under the former head. There is not a trade or profession that does not offer the same iron wall of obstruction that agriculture does now."

It is the same everywhere. The doors which lead to the

opportunities of making a decent living become narrower from year to year, as monopoly with increasing rapidity goes on walling them up with the bricks "compound interest," the material of which is formed by "rent" from the quarry "private land ownership." Wilder and wilder the battle of life is raging between the masses in the hall, all anxious to find an outlet through the ever-narrowing door. There is nobody so high placed, so well to do, that he or his offspring may not be drawn into that terrible vortex. It is not a question of the lower classes—low only, because we have trodden them down—it is one concerning every one among us, even those who are responsible for the walling up of the doors, the monopolists; for unless they throw open those doors of their own free will, the pressure from within will become so great that the walls will be forced out, crushing them in their fall and with them a great many other better things worth preserving.

In less than twenty years the fortune of the Rothchilds, Westminsters, Astors, etc., will have doubled again. Though the increase of spurious capital competing for the comparatively limited amount of safe investments will press down the rate of interest, it will never go down as fast as the capital increases. I shall show this in the next chapter. We cannot stand the pressure of the 500 unconsumed millions of our day, how shall we be able to exist under the immense increase of the weight, which is as sure to crush us, as mathematical laws are based on eternal truth? If the causes of depressions, here set forth, which at the same time are accountable for the terrible state of misery and confusion, which we designate when we speak of "the social problem," if these causes have been correctly interpreted by me, then it must appear clear to everybody that none of the remedies our statesmen are applying and proposing even approach the real seat of the evil. The only remedy, the only way of salvation in this case can be found in cutting off the root of the evil, the spurious capital, which can only be done by digging away the soil in which it grows INTEREST and the private ownership of RENT, the bed rock of the soil.

How this is to be done and what the effects will be, is the problem I shall endeavour to answer in the following chapters.

## History of this Theory.

Is my interpretation a correct one, or am I mistaken just as all my predecessors have been? I must leave it to the reader to decide. I can only say, that after having first published these theories in 1884, in "Auf friedlichem Wege," (Pierson, Dresden) I have become still more confirmed in them, only making slight modifications, as in the course of years discussions with economists, business men and socialists, as well as careful reviewings of the lessons taught by thirty years of practical business experience in different parts of the globe, gave me a clearer insight into the workings of social machinery. Not only have I never met with any argument which could in the least shake the foundation of my conclusions, though public discussions in which professors of political economy at universities or of related branches took a part, gave every opportunity of showing my errors, but I have the great satisfaction of finding, since I first took up these ideas, that part of my theories had been put forth by eminent economists, in one case as far back as half a century.

It was the socialist Proudhon, who fifty years ago found in interest the primary cause of commercial depressions. In "Qu'estce que c'est la Propriété"? page 152, he says:

"The primary cause of industrial and commercial depressions therefore consists in interest of capital, that interest, which all antiquity united to stigmatise under the name of "usury," if it serves to pay the price of money, but which they never dared to condemn under the name of rent, or profit; as if the nature of the things lent ever could legitimate the price of the loan."\*

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\* R. G. Sillar, who wrote a number of papers against interest, without understanding that interest can never be attacked otherwise than by its base: private ownership of land, says in a paper he read on *Usury* in '82:—

"Until the reign of Queen Elizabeth the word *Usury* was always used to describe money paid for the use of money. Money lenders were disreputable, and carried on their trade under the names of scriveners or goldsmiths, and the word 'bank' was apparently unknown in its present sense. Shakespeare has no such word. The Greek word of the bible of 1611, in 'Wiclif's bible,' 1380, it is rendered 'borde.' When, however,

He came to this conclusion, after having shown that interest was the cause that the workers could not consume the products of their labour in proportion to their production, as the price of the same was raised by the amount of interest—in the wider sense, of course, which he gives to the word—so that the worker possessed the purchasing power of only a part of his products.

“If 100,000 journeymen printers,” he says, page 151, “are able to satisfy the literary wants of 34 million people, and if the price of books is only accessible to a third of the consumers, it will be clear that these 100,000 workers will produce three times as much as booksellers can sell. To prevent production from exceeding the demand, it will be necessary either that they stop work two days in three, or that every week, every month, or every three months, a third of them take their turn at the work, which means that they do not live during two-thirds of their life. But industry under the influence of proprietors does not proceed with this regularity; its nature requires it to produce much in little time, because the larger the mass of products the quicker they are finished

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the law was passed, it was necessary to coin a word for legal usury and we find the word ‘*interest*’ first used in a public document in 1623 in an act of James I. It was most likely used privately before this, for Shylock says, ‘My bargains and my well-won thrift, which he calls interest’; and he apparently says this with a sneer. ‘Truth has as many enemies as a herring in shoal water,’ says a modern writer, ‘but her worst and subtlest is equivocate,’ and so it has proved in this case. Hume rejoices in this change of name; he says ‘by a lucky accident in language, which has a great effect on man’s ideas, the invidious word *Usury*, which formerly meant the taking of *any interest* for money, came now to express only the taking of exorbitant or *illegal interest*.’ . . . This change of name is not new. The latin name *Usura* avoided the word *Neshek*, which signified *biting*, and they substituted the word *Tarbeth*, which means *consideration* or *usance*. It was changed also on the continent of Europe, as is evident from the satire, ‘on ne prête plus à l’usure, mais tant qu’ on veut à l’*intérêt*.’ Amongst ourselves even now it is amazing to what an extent the idea that Usury means excessive interest prevails, and there are many people who have their money in loans, in bonds, and debentures, who would start if they were told they were Usurers.”

and the lower will be the cost price of each piece. At the sign of a sale of the stock, the workshops fill, everybody goes to work; trade prospers and governor and governed praise each other. But the more activity is developed, the more holidays are created. The more we laugh, the more we shall have to cry. Under the government of property the flowers of industry only serve as funeral wreaths; the labourer who works hollows his tomb. While industry remains idle, interest goes on; the employer naturally tries to keep up his production by diminishing his expenses. Reductions of wages are coming now, introduction of machines, the irruption of children and women into the trades of men, the depreciation of manual labour, bad workmanship.

“Production goes on as yet, because the reduction of costs permits the market to extend, but this does not last long, because cheapness of production being based upon the mass and rapidity of production, production tends more and more to get ahead of consumption. If we now get a stoppage of production kept up by workmen, whose wages hardly exceed their daily wants, the consequences of the property principle become terrible. There are no savings, no accumulated small capital, which permits them to live a day longer. To-day the workshop is closed, to-morrow there is fasting in the street, the day after to-morrow it will be death in the hospital or the meal in prison. New accidents happen, to complicate the terrible situation. Through the accumulation of goods and through the utmost reduction of prices, the employer soon is disabled from paying the interest of the capital he is using. The frightened shareholders hasten to withdraw their funds; production ceases, work stops. After this people are astonished, that capital leaves trade for the stock-exchange; and one day I heard M. Blanqui complain bitterly of the ignorance and unreasonableness of capitalists.”

Under property Proudhon understands interest or rent bearing values, not private property in general, as very often is believed. It is in this way that his famous “*La propriété c'est le vol*” is to be understood.

Von Kirchmann and Rodbertus-Jaetzow have also got at a part of the truth. Rodbertus, however, makes the mistake



of believing that if employers and capitalists, including landlords, did not get a continually increasing share of production, if wages increased in proportion to the productive power of work, depressions would be a thing of the past. Production is increasing so fast, that even then capitalists would not consume their share and stoppages of work, depressions, would be the inevitable consequences. At any rate it is not by artificially increasing the share of workers, as Rodbertus proposes, that we shall ever find the right way out of the evil, but by reaching it at its source. Weeds are not effectually destroyed by cutting off their flowers, but by digging out their roots.

*The source and the root of the social evil can only be reached by getting at "rent", as I shall try to prove in the next chapter.*



## CHAPTER III.

*The Remedy.*

In the last chapter, I have tried to demolish the theory which sees in interest a product of natural forces. I showed that interest is nothing but a tribute paid by one man to another. I have further said that the source of this tribute right is to be found in rent.

Though it does not require any proof that as long as capital can buy land which yields rent, it will be able to claim interest, when lent out, it would not necessarily follow from this that with the power of purchasing rental rights—of course always including rent of monopoly of any kind—capital will also lose that of blackmailing labour in any other shape, or in other words, that with the disappearance of private rent interest will also disappear.

**Interest Seen with the Eyes of Uncivilised Man.**

There is nothing so strange as the force of habit. It makes the most natural things appear unnatural, and the most unnatural perfectly natural. Take any uncivilised man who has two young horses, of which he only needs one, while he lends one to his neighbour with the understanding that the borrower has to see that the horse is well fed and kept, for which he enjoys the privilege of using it until the owner needs it for his own purpose. Let us now suppose that the latter claims his horse only when that which he uses died, say after fifteen years. Supposing the other horse having died, too, by that time, what claim do you think our uncivilised horse owner will think himself entitled to make against his neighbour? Certainly none at all. He will say that the horse would have died just as surely if he had himself kept it, and that he was glad to have saved the feeding all this time. The mosaic laws, given to an uncivilised nation, give expression to the same principles. In Exodus chapter xxiii., verse 14

and 15, they command, that if a borrowed animal dies or suffers injury by the neglect or in the absence of the borrower, he shall pay the full value ; but if the accident happened under his eyes and in spite of his vigilance, he was released from any responsibility. If our uncivilized capitalist, instead of getting back an old horse, or none at all for the young one he lent out, got a young one back, he certainly would think he had driven an excellent bargain, and if you should tell him that fifteen years having elapsed, a period during which capital at five per cent. will more than double, he would be injured if he did not get back two young horses for the one he lent, he would think you either crazy, or a swindler.

If you tell him that the wise men of your nation, who make a special study of such things, are entirely of the same opinion as you, and that one of the wisest of them, one Adam Smith, in a book he had written about the wealth of nations, had taught that without the hope of getting interest nobody would lend, unless it were from motives of charity or friendship, he would reply :

“ I do not know your Adam Smith, nor any of your wise men, but if the wisest of men came and told me that white was green, or that the sun shone at night and the moon in daytime, I should say he was a fool. How can you make me believe that I did not drive a splendid bargain when I lent my horse to a perfect stranger, giving me good security and when instead of getting back an old or dead horse, I got a young and healthy one as good as mine was fifteen years ago ? You might say that I could have sold my horse at that time, to buy another, when mine died ; but you forget that I have no secure place in which to put the money, or whatever I got in exchange for my horse, and that I would rather have kept the horse at my own expense and risk, if I was not sure to get another immediately, when I wanted it, than chance being without a horse when an accident happened to mine. Anybody who is kind enough to save me all expenses and risk, and who agrees to furnish me with a young horse whenever I need it, is welcome to do so at any time, if there is such a fool ; but that I should not strike the bargain with him because he was no friend or was not deserving of charity, and that I should rather keep the horse myself, feeding it and taking all the risks,

to have an old or a dead horse perhaps by the time I need it, is more than my poor uncultured head is able to understand."

### Stupidity of Political Economists.

But even then you have not exhausted all the wisdom, which the professors of political economy are teaching. There are plenty of them, who proclaim, that if capital cannot command interest, people will cease to produce wealth. Take, for instance the following passage from page 662, vol. 1. of Schœneberg's handbook of political economy, written by Professor Mithoff, teacher of political economy at the university of Göttingen :

"In any case interest cannot fall to zero. This would only be possible, if either capitalists offered the use of capital without any remuneration, or if there were no borrowers willing to pay such. The basis of both assumptions is that the value of the use of capital had disappeared (dass der Gebrauchswerth der Kapitalnutzung verschwunden wäre.) But with this the inducement to the creation of capital would disappear."

Supposing this was so, would it also take away the inducement to create wealth? Certainly not, unless we class thinking and provident man lower than the bee, the squirrel, or other hoarding animals. Man would store wealth as well as they. The only difference would be, that whereas animals store wealth in the exact form in which they expect to use it, thinking man will try to store not those things he expects to put to direct use,—which is more or less impossible, if longer periods are contemplated, for nobody can put aside the bread he wants to eat in old age, and to keep meat fresh for a much shorter period requires enormous outlay—but those which are at once most durable, least expensive to store, and such as at any time can easily be exchanged against the goods we want to use. Money and jewels are considered as having these qualities in the highest degree and in countries or at periods in which industry is little developed, or where lending is too risky, this fashion of storing wealth was and is often resorted to. Ignorance of better methods often leads to the same process. According to Professor Webb (the rate of interest and the law of distribution) the French peasants

hoarded metallic currency up to 1871 and the Maltese cottager up to 1886.

But even precious metals and jewels are liable to be stolen, or injured by fire. If we can get a form of wealth which will save us this risk as well, we should certainly prefer it. Tools, machines, merchandise employed as a stock in trade, etc., in short any form of wealth, capable of being used for the production of further wealth, *i.e.* capital, will afford us this advantage, if we find people, who are willing to use it until we need it ourselves for the purpose of exchange against that kind of wealth which we require for consumption, and who give us sufficient security of repayment in kind or in some other goods of equal value and equal facility of exchange. In most cases money, as giving the greatest facility of exchange, is the intermediate form, into which our savings of wealth are turned before we lend them out and when they are returned to us.

#### Interest the Greatest Obstacle of Saving.

Instead of being a necessary inducement towards saving and lending, interest can with perfect truth be considered *the greatest obstacle* in their way.

Anybody who has not crippled his reasoning powers by the study of political economy as taught in schools, universities and handbooks, will see this at first sight. If a man wants to earn a yearly income of £1,000, for the rest of his life and that of his children, an Insurance Company—which will be at his service just as well as to-day, for interest has nothing to do with the principle of insurance, consisting in the equalisation or averaging of risks—will, if the rest of the natural life of his family members is calculated to last 50 years, make him pay £50,000 at once or in instalments. To-day £33,333 will accomplish the same purpose if invested in 3 per cent securities, or less if paid to an Insurance Company, which takes into account the interest accruing from his payments. We see immediately that more capital will have to be saved without than with interest.

But the greatest obstacle to the production of capital is to be found in the destructive social effects of interest described in the last chapter.

The great difference between the man, who buys an income of £1,000, without getting interest and the one who does the same by paying £33,333 for bonds, is, that the income of the first family will end with the life of the last survivor of the two generations, whereas in the other case the £1,000—or perhaps something less, if interest decreases—will be paid to all eternity, and with new savings added, increasing in bulk like a rolling snowball, it will form part of those immense avalanches of unconsumed incomes, which, if not stopped in time, will finally crush our whole civilisation under their ever increasing weight.

I wonder what our uncivilised man would say, if you were to tell him, that not only are we expecting a young horse from him, even if the one we lent him, has died of old age and another young horse into the bargain, after 15 years have elapsed; but another every 15 years, hence, as long, as he does not give back our loan and that furthermore if he and his children neglect these obligations, the time will come, when through compound interest his descendants will owe more horses to ours, than the whole world can feed, and as they will not be able to meet their engagements, they will have to slave for our descendants and in spite of all they may do, will be miserable bankrupts.

If habit had not so completely blinded our eyes, if we for one single moment succeeded in clearing away the mist covering our common sense, we should be forced to see how utterly preposterous it is, that because one man has been industrious and saving, and others have been idle or less favoured by fortune, his descendants shall have a right to force the descendants of those others to work for them to all eternity. To all eternity, I say, because compound interest will so increase the claim, that repayment of the loan will become impossible. We sneer at those barbarians, who permitted one man to enslave another as well as his descendants for an unpaid debt. Are we any better? If there is any difference at all, it is in favour of the barbarians, for they at any rate had to feed their slaves. We have given up that obligation, which will not suit the devout believers in the saving powers of “laissez faire, laissez passer.”



People have not always been as blind as we are in regard to this subject. From the oldest times the attacks on interest, or usury, as it was called before the more euphemistic name was adopted (see page 85) by great men, by laws, civil or religious, show us how deeply the feeling of the injustice and danger inherent to this method of robbing our fellowmen was felt. No body expressed better the real nature of this danger than Lord Bacon, when he said, "Usury bringeth the treasure of a realm into few hands, for the usurer being at certainties, and the other at uncertainties, in the end of the game most of the money will be in the box, and even a state flourisheth when wealth is more equally spread."\*

Take another case : on the authority of Réaumur, one blow-fly will produce 20,000 eggs, which are hatched as soon as deposited. Maggots issue forth, and almost immediately begin to feed, and in twenty-four hours increase their weight 200 times. In eight or nine days they are full grown ; then they assume the pupa state, and after another period of the same duration, come forth perfect flies. A month is, therefore, rather more than enough for a generation. Suppose that of the 20,000 eggs, half produced females, then in the first family there will be 10,000 flies, each capable of producing 20,000 eggs. A very simple calculation will show, that at this rate, in less than six months, the sixth generation will number 2,000,000,000,000,000,000,000,000,000,000, (two trillions). If every fly is  $\frac{1}{2}$  an inch long,  $\frac{1}{4}$  of an inch wide, and the same in depth, that is to say, if 32 of them occupy a cubic inch, there will be enough to cover all England and Wales, to a depth of 3,800 miles."

We fortunately know through practical experience, that the compound interest game, which Sillar's blow-fly is playing against us, is interrupted by the destructive powers of nature, or there would be no room for us in this world. We know that we ourselves would soon be forced to eat each other, if calculations such as those

A. W. Rayment, says in the *Australian Standard* of June 1889, that, given equal opportunities, all men could live by honest labour; but we could not all live by stealing and neither could we all live by exacting interest, which is but a mode of stealing. There could be no more convincing argument against George's theory that interest is a product of natural forces, for if this were true, there would be no earthly reason, why all men should not be able to live by interest, as a minority do now. Why should not the forces of nature in combination with the element of time be able to feed all men without work, as well as some? We know that this is impossible, because, as Rayment says: "Robbery is only possible on condition that there are some, who honestly labour. Increase the relative number of those who live upon theft, and you decrease in a corresponding ratio the number of those who live by their honest exertions, and whose joint efforts alone make thieving practicable. This is precisely the case with interest, yet while the machinery of the law is employed to suppress the one, it encourages the other."

Another very good remark he makes is: "when properly looked at, interest is seen to be branded with absurdity on the face of it. It is a law of mechanics that we cannot get anymore out of a machine, than is put into it; but with this machine called interest, it is assumed that by putting in a definite quantity at one end we can grind out unlimited returns at the other."

### Bastiat's Theory.

The only justification of interest which will bear examina-

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which Malthus and others made in regard to our own multiplication were not crossed by similar correcting influences. History also shows, that the effects of compound interest never had full play, as bankruptcy generally at some time or other took care to put a stop to the game by suppressing capital as well as interest. There is no fear of its failing to do so again, for impossibilities are impossibilities; but, as since the beginning of this century the whole power of law in orderly and peaceful communities guarantees the proceeds of the game, the bankruptcy of our civilisation will be the destructive factor, we have to depend on, unless reform takes its place in time. It would have to do so very soon, for the game is too far gone to make another doubling tolerable.

tion is the mutual service theory put forth by Bastiat. Interest, according to him, is a service rendered by the borrower to the lender for a service rendered by the lender to the borrower. This justification of interest could not be objected to, if it could be proved that interest would exist at all, if there was no other foundation for it than the difference in the value between the service rendered each other by the two parties in question, a difference, which, according to Bastiat, usually must be in favour of the lender, otherwise where would be the origin of interest which he tries to find?

Let us consider whether this will stand investigation.

What is the nature of the two services? The service rendered to the borrower consists in the advantage which the use of the loan will give him. There must be an advantage, or he would not borrow. The service rendered to the lender consists in the work of keeping up the value of the capital, which without such work would depreciate.

Which service is the greater? When we compare the value of two commodities, we cannot base our calculation on individual estimation; we must consult the market, which means the value formed by supply and demand. A starving wanderer, who at last gets into a town, would willingly pay for the bread he buys by giving its weight in gold, if he could not get it cheaper. However, he only pays one penny like anybody else, because it is not his individual estimation of the service the baker renders him, which fixes its price, but the market value of the bread on one side and of the penny on the other. The service the baker renders in our special case is infinitely greater than the one he receives, if we judge the matter from the individual point of view of both parties, but as supply and demand have determined that the bread and the penny are of the same value, only one penny is asked for and paid.

Let us now try to find the market value of the services which borrower and lender render each other. We have to consider the problem under two different suppositions: first that of absence of spurious capital, of monopoly rights and secondly, that of our present condition which allows investments in such.

Under the first supposition we shall at all times find that

the supply of capital exceeds the demand, if security against depreciation and risk can be offered by the borrower. Wherever such security cannot be given, demand may exceed supply and apparently interest will be paid for the use of capital; apparently, but not in reality, for when in the long run we analyse this so-called interest, we shall find that it is not interest proper, but premium of risk, insurance, *i.e.*, that amount which on the average will just replace the loss of capital. If twenty debtors pay each 5 per cent., and if the 21st fails and pays nothing at all, then the 5 per cent. have just covered this loss and on the average no interest but premium of risk has been obtained.

Wealth and capital generally increase and decrease together for with increasing wealth men naturally try to store more and more of it for future use, which, as we have seen, can be done in no better shape than in the form of capital. On the other hand increase of wealth is a consequence of the increase of capital. Little or no wealth therefore also means little or no capital. The less wealth there is in a community the greater the risk offered by the average borrower must be.

### Interest and Wages.

Here we have got the natural explanation of the reason why in new countries high rates of interest are paid. Not, as George thinks, because land is not yet appropriated, but because risk is great, insurance high. In book I, Chap. I, he says:

“Eliminating from interest the element of insurance, and regarding only interest proper, or the return for the use of capital, is it not a general truth that interest is high where and when wages are high and low where and when wages are low? Both wages and interest have been higher in the United States than in England, in the Pacific than in the Atlantic States. Is it not a notorious fact that wherever there has been a general rise or fall in wages, there has been at the same time a similar rise or fall in interest? In California, for instance, when wages were higher than anywhere else in the world, so also was interest higher. Wages and interest have in California gone down together. When common wages were 5 dols. a day, the ordinary bankrate of

interest was 24 per cent., per annum. Now that common wages are 2 dols. or 2·50 cents a day, the ordinary bankrate is from 10 to 12 per cent."

George says "eliminating from interest the element of insurance," but he does not do it. If he did, 12 or 24 per cent. interest in California would have dwindled down to the 3 to 4 per cent., which at that period were obtainable in England on best securities. If it was otherwise, if the work of supervision of the investments—a part of the element of risk together with all the other components of that element—was not estimated as high as from 8 to 20 per cent. in this case, would not such a moveable thing as capital, so easily transferred, wherever a better investment is to be found, have quickly flowed from England to California, until the level was re-established just as a liquid flows from a full vessel into a corresponding empty one until both are filled to equal height?

The error into which George here falls arises from confounding profit and interest. He forgets that we only get at interest proper, if we deduct from the net earnings of capital, the average percentage of risk (insurance) and the wages of supervision and enterprise.

These wages follow the same laws as all others, those of supply and demand. As long as the offer of enterprising men, who took the trouble, risk and expense of going to California by those dangerous and disagreeable methods which at that time had to be resorted to, and who braved the dangers of comparative lawlessness, of knife and revolver, was less than the demand, wages were high, whether they were paid to the worker in the placers, to the shoemaker, or to the banker, charged with the supervision of capital investments. If capitalist and banker were one and the same person, these wages had to be deducted just the same, and after setting aside the risk percentage, what was left was certainly not more than the usual rate of interest obtainable at home, or rather in that country where interest was lowest, for if our capitalist came from the Eastern states, where interest was 6 per cent., he had first to deduct from this rate the local wages of superintendence and the premium of risk which would bring it down to the level of English rates. We



see now that instead of saying that wherever interest is high wages are high, George ought to have said, that wherever the wages of the labourer are high, those due to the capitalist for the work of superintendence and for his enterprise are high also and vice versa. This is the cause that in times of commercial activity wages are high when interest obtained in commercial enterprises apparently is high and that during depressions both are low. Wages of supervision and enterprise rise and fall through the same causes which raise or lower wages of common labour.

There is another cause which helps to raise the rate of interest in times of commercial activity. When business investments offer paying returns we shall find savings invest in real capital to a greater extent and in thus lessening demand in the spurious capital market, they help to force up interest proper for the time being. The opposite action forces interest down in times of depression. Instead of being a cause the rate of interest is nothing but an effect. As little as the rising of the thermometer causes heat, as little did a rise of interest ever produce a rise of wages. It would be against all rules if it did, for where one of two partners gets more, the other is bound to get less, though both together may get more than they did at a previous period. The more capital is getting of that share which rent leaves to the two partners, the less labour will get. Now we have seen that fictitious capital in reality under the name of interest is taking not only the increase of rent but a good deal more; in fact if things go on as they do, sooner or later it will take almost the whole rent. We have further seen that the very fact of this transformation of rent into interest of spurious capital, is the real cause of the lowering of wages. Does it not appear preposterous under such circumstances to talk of the joint interest of capital and labour? The general mistake of confounding fictitious and real capital fallen into even by those, who like George, make a distinction between them, is the cause of such false logic. The larger the fictitious capital, the smaller the part of labour will have to be. The larger the real capital, the better off labour will find itself, not by paying a high interest for the same, but by enjoying its use cheaper and cheaper in proportion to the quantity offered.



Before I return from this slight digression, I would add, that another great mistake of George and very many others consists in their confounding the rate of interest and the earnings of capital.

This dangerous error leads men like Leroy-Beaulieu in his "Essai sur la Repartition des Richesses" to the consolation, that the decreasing rate of interest is a sign and a cause of a more equal distribution of wealth. If he had read his Bastiat a little more attentively, he would have found the following passage, which I take from the fourth letter of this economist to Proudhon:

"In the same measure in which capital increases, interest goes down, but in such a way that the total income of capitalists increases. . . . So if interest falls from 5 to 4, from 4 to 3, from 3 to 2, this means that capital has increased from 100 to 200, from 200 to 400, from 400 to 800 and that the capitalist has increasing incomes of 5, 8, and 12."

The only objection which can be made to this calculation is that it rests far behind the real ratio of increase, which is much faster.

When wages and interest proper are both low,\* this is by no means saying that labour and capital both get smaller returns, for capital increases much faster than the number of labourers and in spite of the lower rate, the relative share of capital as a whole continually increases. As the lower rate is caused by the increase of capital it is nothing but an indication of this increase and of the increasing share taken or exacted by capital. When formerly one worker and £5 of capital were needed to produce a certain amount of wealth, say £50 worth, and if the worker got £45, of these 50, capital 5, labour would have 90 per cent. capital 10 per cent of production. If progress in technical science and in the processes of manufacture have brought it about that now one worker with £500 of capital produces £100 of goods, of which

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\* Interest proper being low does not mean that labour gets capital cheaper, or wages could not be lower. On the contrary the interest actually paid by labour generally is high at such times, because those very causes which force down interest proper increase risk and insurance (usury interest and low wages in India and Egypt).

50 are paid in wages and 50 are profits of capital, labour will only get 50 per cent. of production, capital the other 50 per cent. The proportionate part of labour will have decreased from 90 to 50 per cent. that of capital will have increased from 10 to 50 per cent. and yet statisticians will tell you with perfect truth that wages have increased more than 10 per cent. whereas capital only realises 10 per cent. where it used to clear 100 per cent. The Beauclieus will say that workers are getting richer, whereas capitalists are growing poorer, and that the final result is "to form a society, in which positions are more equal, activity more general and yet less overflowing, in which it will be nearly impossible, to form large fortunes, difficult to acquire medium ones, and easy to obtain ease."

The descent of the rate of interest must do all this after the false capital will have disappeared, whereas under actually existing circumstances it would be hard to believe in the good faith of the man who wrote thus, was it not that the whole tribe to which he belongs is as blind as a bat to actual existing facts, spending their lives in arranging these facts to suit their theories, hard as it sometimes may be. I heard of a German professor, who, when told that certain facts did not agree with his theories replied: "So much the worse for the facts."

### Interest in Primitive Society.

I now come back to the point from which I digressed.

The smaller the wealth of a community, the greater the risk incurred by loans must be and the larger the wealth the more easily will security be obtained, security for the repayment of loans.

In the former case there will be such danger in storing wealth of any kind, that its possessor will be most happy to find somebody who will take it and furnish full security for its restoration when the owner needs it. He would of course like to get more than he lends; but the danger all kind of property is subject to, is so great, that it is very improbable he will even find the security he looks for, putting interest out of the question.

A hunter in primitive society kills a deer whereas his

friends come home empty handed. He lends them part of his meat, without being able to get more meat in return, when they are in luck and he is not. He is not even sure of obtaining as much as he lends, for how can he know for certain, that the others will be able to repay him? Nevertheless he prefers to lend the meat, for he cannot keep it long himself, because it will spoil or at any rate will not remain as good as the freshly killed meat, which he hopes to get in return, will be at the time he needs it. Furthermore, if his friends are very hungry, there will be very little security for the preservation of his meat, if he should prefer to store it. They together are stronger than he is, and hunger goading them, they might be capable of taking the meat by force. We cannot make the objection that meat is wealth, but not capital, for if it has to be taken along to serve as provision during the next hunt, it must be considered as capital, just as much as the provisions which a shipowner stocks his ships with, form part of his trading capital.\* To leave not a particle of doubt on this point, let us suppose that one of those primitive hunters is such a skilled hand at bowmaking, that he finds it of greater advantage, to remain at home and to make bows, which he exchanges for meat, than to kill deer himself. His bows not only procure him all the meat he wants, but even all the other comforts the community knows of. He gets furs to tapestry his cave or cabin, he has all the clothing after the latest fashion, as the richest of his people are in the habit of wearing; yet such is his skill, that he gradually gets more bows on hand, than would pro-

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\*I may as well say here, that I care very little for the distinctions made by economists between "wealth" and "capital." It is not only misleading in a hundred cases, but has no practical value. There is no kind of wealth, which may not be used as capital in certain cases. Socialism therefore to be logical might be forced to nationalise all wealth, and this means communism. To nationalise capital alone would bring difficulties at every step. A horse used for a pleasure ride in the morning is wealth; used for carting manure, or hired out in the afternoon, it is capital. There is only one distinction, which I think of practical value, viz., that between real and fictitious wealth, or real and fictitious capital, whichever of the two names for the same thing may be preferred.

cure him all he needs. He does not like to sit idle, but could wish to provide against old age, when he perhaps will not be able to work any more. There is no more room in his cave for further stock of bows, or any other kind of wealth that others will buy. Besides this the moisture of the cave affects his stock very unpleasantly. A great part of his time has to be spent in looking after it and cleaning and rubbing his goods one after another. In spite of this they will not be as good as when they were new and when he sells a bow customers will impose the condition of getting new ones, which finally renders the old stock worthless. Then there is the trouble about these rascally fellows of the neighbouring tribe, who have a bad habit of stealing his bows and other goods, when they get a chance, and he cannot sit in his cave day and night to watch his stock; in that case life would not be worth living. If he engages others to do it for him, it would finally take all his stock to pay them. Under these circumstances he is very glad to find members of his tribe, who propose to him to supply them with bows and to take the meat or other goods he wants for the same, whenever he needs them, be it to-morrow or years hence. There is a certain risk connected with this, for they may die, before they have repaid him; but the risk is not half as great as if he had to store his bows, till he needed the goods, they exchange for. "But," says our friend Bastiat, "we know that the lender of the bow renders a service to its borrower, which must be greater than the service rendered to him by the latter. Without the bow the hunter could not kill as many deer in a week as he can kill with it in a day and if he gives one day's booty as interest in addition to returning the bow or its value, he will not be injured, but will benefit by the bargain." There might be something in this argument, if the bowmaker was the only one capable of making bows, or if he had a monopoly of its manufacture by general consent. What he would command in this case would not be interest but royalty, against which no objection can be made, if, as is the case in our patent laws, the right of its perception is a very limited one; but no such thing takes place in our case. Our bowmaker perhaps makes a better bow than others, but for this he gets a higher price than other makers, though not much higher,

for if the difference becomes too great his competitors will take more trouble and will make as good a bow.

Any one of the hunters can either make his own bow, or get one from one of the other makers, by hunting for them a couple of days. There certainly is an advantage in having a bow, which, if a monopoly to bowmaking existed, might induce the borrowers to make great exertions to obtain one rather than go without; but there is no such monopoly, as the great advantages inherent to the use of bows are not the property of a single man or set of men, but of the whole community which inherits the property rights of this invention together with other mental achievements from the generations who inhabited this earth before them.

This is a fortunate thing for us, for nothing would have prevented our ancestors from entailing inventors, and authors' rights upon their successors to an indefinite time—to all eternity, as we little worms of a day's growth are in the habit of saying—as they did with land. There certainly would have been much more justice in the one case than in the other; for the author and inventor are the creators of the intellectual product they give to the world, whereas the first occupier of a piece of land created nothing, and even if he added improvements by his own work, he only did what others willingly would have done, if he had let them. Yet we think it perfectly natural, that for such services he should have eternal property rights for himself and his successors, whereas we should think it perfectly ridiculous to entail in this way the rights of authors and inventors. We laugh, when Mr. Graham Wallas of Oxford tells us how fortunate it was that the old whig statesmen did not hit upon the idea of entailing the rights of authors, as they did those of landlords, or we might have a duke of Shakespeare, to whom every one of us would have had to pay two or three pounds as royalty or bookrent, besides the obligation of giving the book back in an uninjured state. We laugh at this, but we think it quite natural that the rental rights of this earth, which was here before man, should belong to the successors of certain favoured individuals.

However, our forefathers did not think it expedient to entail the rights to the enjoyment of advances made in civilisa-



tion upon certain families and bow making was open to all ; the advantages which bows conferred did not belong to bow-makers but to the community. For this reason our bowmaker could not put to his credit these advantages, when he struck his bargain with the hunters. All he could advance on his side was that they could not begin hunting until they had a bow and if they had to sit down and make one first, they might die of hunger before they finished. Even this claim would not have availed with his customers, for such a case might have existed in the theory of a professor of political economy, but hardly ever in the practical life of our barbarians. Setting aside the fact, that the beginning of civilisation did not take place on the supply, demand and free market principle, but on the communistic arrangement of family life, we can certainly assume, that history does not begin with the words. " In the beginning there was the bow maker," or let us say " the capitalist." No, first there were the hunters, who used stones, cudgels or similar weapons provided by nature and it was only at a later period that the bowmaker appeared. Long before he came out as a specialist and much longer before he appeared as a capitalist, bows were made by the hunters themselves and by the time our capitalistical bowmaker came into existence every body but beginners had their bow and new bows only were needed for the latter or to replace broken ones. There was also meat enough in stock to permit bow making without starving, or if only our capitalist had it, he could not have refused to lend it to the others, unless he wanted to run the risk of unpleasant consequences, for wealth and security, want and insecurity of property always go together. The service rendered by our bowmaker to his customer, who had the privilege of paying him with the future proceeds of his work was not greater than the service a brother hunter rendered to his colleague in lending him meat for a few days to give him time to make a bow, and we have already seen, that such a service was fully compensated by the advantages the lender obtained in getting fresh meat at a period when he had better use for it, as otherwise he would have had to keep his meat and to eat it in a less perfect state. But even independently of this the other bowmakers, who were all more or less in the position of our friend, were



perfectly willing to lend out their stock, and the quantity of stock being greater than the need of it, they would have bid each other down until bows were lent at terms only just preferable to self-storage. The demand for bows exceeding the stock might have had an influence in raising their price but not in creating interest. Before any body would have made such a ruinous bargain, as borrowing on interest on the average is always bound to be, he would have made his own bow, and if we assume such poverty that there was no leisure for bow-making, there would have been such an increase of risk in the storage of bows that the higher value of the service rendered to the lender would have compensated the higher value of the service rendered by him to the borrower.

There is a law of natural compensation, which we may formulate thus: "The wealth of a community—the absence of monopolies being presupposed—bears a direct relation to the security it offers to storage of capital, and an inverse relation to the requirement of capital by workers. Thus, the services rendered to each other by borrowers and lenders will always preserve the same relation."

#### Interest in civilised communities.

This principle remains the same, whether a bow is the highest form capital can take or whether it changes into the gun, the magazine rifle, etc.

The needle made of a fishbone may change into that made of steel, and the sewing machine may take the place of the common needle. The law remains the same. When bows are needed very soon more bows will be made than the day's want requires, if there is no artificial obstacle to prevent it. The same will be the case when the bow has changed into the gun, the needle into the sewing machine. We might formulate another law expressing these facts. "New tools or machines never come into use except when technical progress has advanced far enough to ensure their production on a scale sufficient to supply the demand."

If there were no artificial obstacles every worker in our day could save enough wealth within a couple of years to supply that share of capital which he needs if he wants to work with the best tools and machines.

Of course I do not mean that each worker would be able to buy for himself alone a steam engine and all the machines his special trade requires, when our improved methods require that one engine supplies work for a thousand workers and that each worker only attends to a special machine, but that he can earn enough to pay for his personal share in a co-operative shop fitted up with all the modern machinery and improvements.

If we do not count the land, which will only be obtained on lease, we can safely assume that £250 would suffice to pay for the average capital required for each worker as his part in an average factory fitted up with the best improvements, and £250 more for a comfortable little house of his own with furniture and household goods. We shall see in the next chapter that a workman would be able to save this amount in less than five years, if the present obstacles in the way of production were put out of the way. Let us assume five years as the outside figure and twenty-five years as the average time a man would like to work, before he retires, we shall then find each worker in the position of saving capital enough to supply five beginners, whereas only one will have to be supplied. During twenty of the twenty-five years he will accumulate wealth and try to turn it into capital as the best means of preserving it with least loss, but he will look in vain for borrowers urgently needing it. The new beginners will after a few years not only repay their debts but will soon look out for chances of investment themselves. Under such circumstances the laws of supply and demand will have their usual effect; instead of borrowers paying interest, the excess of capital looking for investment will make it possible to obtain capital without paying interest.\* The borrower might even be able to get pay for his work of preserving capital from depreciation, if there was not one way to avoid this sacrifice. This way is offered by the state,

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\* The power of habit, the influence of surroundings is so strong, that thinkers like Henry George even cannot shake them off. After hearing all the proofs I gave him against the survival of interest to land nationalization, he said, that he could not see how it could ever come to pass, that a tailor would just as well sell a coat on ten years credit as for cash. It did not avail anything

which is the only party capable of furnishing chances of secure investment to capitalists without making these pay for them, because she alone has got at her disposal an inexhaustible field of investments paying interest, (if we can call it so) in reality paying rent.

Capital can make blooming fields out of deserts by paying labour to irrigate and manure them. Capital can pump the sea water from the Zuyder Zee and give its soil back to cultivation, which peopled it in past ages. Capital can lay rails on every road, to enable farmers and manufacturers to do their hauling with less than half the work. Capital can bridge rivers and channels, can tunnel cities and connect distant countries by cables. Capital can bring the water from the mountain side into the teeming city, making it supply with water power innumerable mills on the way. Capital can do all this and a great deal more, by enabling labour to devote its strength to such enterprises, which only pay in future times, feeding it with the stored wealth of the present and the past in the meantime. All such enterprises increase the productivity of labour and enable the state to levy a tribute from labour for the new advantages offered, a tribute which hardly deserves such a name, as labour is richly repaid by the increased earnings afforded through the facilities offered. But why could not private capital embark in such investments? It can; nobody hinders it and it will, but it does not get any more by it, than if it is deposited in the state bank without interest. This does not seem very clear and yet it is very simple. All enterprises of this kind are impossible without making use of land, and the land belongs to the state.

The state leases no land, no monopoly right of any nature, without getting the full letting value of it, the full rent. When private capital has claimed the bottom of the Zuyder Zee, the state will collect the rent from the reclaimed land just as if it had been there from all eternity. All it will do

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that I explained how the tailor would be very willing to make such a bargain if on the one hand he had saved enough to feel certain that he had no use for the money during the next ten years, and if on the other his customer offered perfect security for the payment of the debt.

will be to deduct improvement expenses, viz., the cost of pumping, including a certain reward for supervision and enterprise.

Our artificial obstacle, once taken out of the way, capital will increase in a measure of which we can form no idea. Just conceive every worker in the land as saving only £100 of real capital every year—a saving of 1,000 millions in a single year, and such saving and probably three times as much going on year after year, to be consumed only after 25 years, when other workers will step in to do the further savings. All this capital will be trying to find investment, will look out for great enterprises likely to offer it. The effect will be that the better of these enterprises will be so sought after, that the remuneration of capital finally cheapens down to good wages of enterprise, which means that some of these investments will swallow more capital than will be got out of them, when the rent claims of the state are satisfied, and others will bring a profit. On the average none of them will have paid more than the wages of supervision, as the profits of enterprise will be balanced by the the losses of enterprise. A Panama Canal may be built on a charter, which after paying to the state a certain tonnage as rent, leaves so little for the repayment of the capital, that a thousand years will elapse before it is paid back, because the cost of construction greatly exceeded the estimate on which capitalists based their hopes, when they made their offers of rent in the competition with other capitalists, so that actual loss to living capitalists and to generations of their descendants is the consequence. Other enterprises, again, may leave a good profit, because the bidders by some special knowledge of management were enabled to make a great saving in the costs of construction, which after outbidding their competitors allowed them a large surplus. These profits will be wages of enterprise, which are balanced by minus wages of enterprise, by losses like those of the Panama enterprise, or even if they are not, they will not be taken from the pockets of anybody, because they are fairly earned by superior skill, which enabled the lucky parties in question to earn something beyond the point to which the general competition of capital had pressed down profits,—i.e. simple payment of wages

Rothschilds, Vanderbilts, etc., are richer than their ancestors were, without any law of entail. This is quite natural. Let us put down the fortune of the English Rothschild at 100 millions, his interest income at 3 millions, his expenses at 100,000. The fortune will have trebled in one generation, and as rich families mostly have very few children the increase generally will overbalance the diminishing effect of division by inheritance.—Thus, especially if we add the effect of fortunes added by marriage, we can safely assume that as a rule the sons of such men will be richer than their fathers, even if they have not got any capacities for business at all. All they have to do, is to adhere to the family tradition telling them to make no investments but in good securities, which means in false capital—and to avoid risky enterprises, which means investments in real capital. This state of things will be completely changed with the disappearance of spurious capital. The founder of a large fortune may be lucky enough in his ventures always to hit the winning side; but it is very unlikely that his son will be as fortunate and that at the end of his life he will not find that he would have acted much more wisely if he had deposited his capital in the state bank, instead of trying investments in enterprises, in which only great foresight and keen calculation will bring profit and where the lack of these qualities is sure to entail losses.

There are two parties who are bound to be on the winning side in all such operations: the state and the workers. All such enterprises raise rent and increase the income of the community. They furthermore give greater facilities to labour and thus raise wages.

#### Trusts no more Dangerous:

*But could not capital unite in immense trusts and similar combinations and by thus levying blackmail on the community obtain interest in the shape of profits?*

There are two kinds of trusts, those based upon the possession of monopolies and those without such a foundation. It is only the first kind which can be considered to be on a firm footing even under the present system.

If all the owners of leadmines in the world or those in a single country the laws of which exclude competition of foreign



leadmines, by erecting artificial barriers, called custom houses against them, if all these combine, they can levy a certain amount of blackmail on the consumers by raising the prices of their products. All they will have done in this case is to raise rent of soil containing lead beyond that natural limit which the law of rent is tracing. This law says that the rent of leadmines is the profit obtained in mining lead after paying the usual wages of labour, supervision and enterprise, as well as the current rate of interest, adding of course the premium of risk, *i.e.*, insurance. It is only another way of expressing Riccardo's law, which gives us as rent the profit obtained over that gained in the poorest leadveins worked, for they would not be worked, if labour and capital did not get the same remuneration they get in other departments of work. I prefer my way of expressing the law, because the expression "poorest" may mislead, as capable of being only applied to the quality of the mine, whereas means of access, security of working and transportation form elements which Riccardo certainly intended to include in his quality definition.

If so called economists of the Carey type had understood him in this sense, they would have saved themselves and the world the infliction of volumes of verbiage about the mistakes of Riccardo. What is it, if it be true, as Carey and Rodbertus proved, that it is very often the poorest land, which is cultivated first? That it is not the rich soil of the lower lands, but the more barren soil of the hills which is first taken up? It simply proves, that the poorer quality of the hillsoil was compensated by other advantages, which made it appear more desirable than the richer bottoms. Supposing that the work of felling trees in the bottoms was so hard, that the denuded hills were preferred, or that the fevers of the valleys drove the settlers to the healthier hills, did not the superior advantages of the higher soil form part of the qualification "good," just as much as its chemical components? Any doubt, which might possibly remain in Riccardo's way of expressing himself, disappears in mine. When the first bottomlands were worked, and hill lands began to leave a margin of rent to their owners, it was not because these were richer land in the current sense of the word, but because labour and capital were able to earn a surplus beyond the lowest reward at



which they were willing to go to work, a limit just about attained by those working the bottomlands, or they would not have begun doing so. This definition rids us of all those ambiguities caused by the word "poor." It saves us the trouble of explaining, why a very poor leadmine in England will bring rent, when a very rich one in the Amazon Valley will not be worked at all, though it could be had rent free. Labour and capital in the first place will get their accustomed remuneration and still leave a surplus, whereas in the valley of the Amazon, dangers of all sorts and difficulty of transportation might cause great loss to capital, after labour has been duly—which means more highly than in England—rewarded, and of course would leave the getting of rent completely out of the question.

Combinations based on monopolies may get a higher price than could be obtained, if capital and labour could have free access to natural opportunities, *i.e.*, if everybody was free to go mining, where he liked. Supply and demand in the latter case would take care that the price of lead always corresponded to the cost of labour and capital necessary to get lead from the poorest mine (poor in the sense indicated) which pays working.

It is different when rich and poor mines are in the hands of combining monopolists. They may artificially raise prices beyond a point at which a limit is reached, when the decrease of sales through the diminution of consumption caused by the high prices counterbalances the advantage obtained by their means.

These kind of trusts will be rendered impossible when the state owns the mines. The increased price obtainable for lead would bring higher offers of rent for leadmines from parties outside of the combination. The rent paid by the combining capitalists would be raised in proportion to the higher price they are getting and they would have no benefit from their operations. All the profit would flow into the pockets of the community. The second class of trusts in most, if not in all, cases obtains a temporary success only where protective laws render competition from abroad impossible. In this way they may in a certain sense be included in the first class, as state monopoly partakes of the

nature of rent of natural opportunities; but we may suppose them internationally organised, as they sometimes are in exceptional cases where protective duties do not offer a sufficient barrier. I have to explain how the reformed state of things would prevent both kinds of combinations or in any case take from them the power of levying blackmail.

We can raise the level of a river by building dams across its bed and along its shores where the banks are not high enough by nature. We can never raise the level of the sea, even if we built as many dams as we like. The volume of water is too large to be affected by such trifles. The artificial obstacles with which our system of ownership has been drying up the stream of capital, destroying it by ruinous competition with its consequences of bankruptcies and destructive liquidations, or worse yet, preventing its formation by enforcing idleness on willing workers, has the effect of reducing the volume of real capital or rather of keeping it far below the limit it might acquire if left alone. The more quickly false capital increases the more slowly will the volume of the real article grow. How different this will be, when land-nationalisation will have put a dam across and along the bed of the stream of false capital. The liberated workers, now enjoying the full benefit of their productive powers, which are rapidly increasing with technical improvements and a better organisation of production and exchange, as a free result of natural developement, not of unnatural interference, will have their savings increase from year to year until they form so immense a volume, that it will appear like the sea as compared with a river when looked at by the side of to-day's real capital. Trusts may succeed in temporarily damming the river of present production, they never can dam the sea of that in reformed times, or if they do they will not be able to effect a perceptible rise of level.

Free labour and free capital will be eagerly watching any opportunity where higher wages or some extra profit can be obtained. The very moment that a combination will have succeeded in raising ever so slightly the profits of capital in any department of production, competitive enterprises will start up on all sides and by underbidding the combined producers soon will get all the trade, breaking the trust and

forcing it to sell with loss, until the natural increase of consumption will have made work enough for the old, as well as for the new producers. The loss will not affect the latter, for their ranks will mostly consist of workers employing their own capital, either singly or organised in co-operative societies, the latter having gone into this branch because the exceptional circumstances promised better profit than elsewhere. Their risk was small, for even if in the long run their capital did not bring any profit beyond paying for its deterioration, they work on their own account and could easily compete with labour paid by capitalists, so that if overproduction in that special branch finally forced part of the producers into temporary idleness, it would not be *their* factories which would have to be closed, but those of the combined capitalists, especially as the consuming public would at equal terms rather patronise those who had protected it against the conspiracy, than the conspirators.

The workers employed by the conspiring capitalists would not be any losers either, for they would easily find employment in other departments. There could be no want of work, such as we are used to to-day, because in the absence of all obstacles the level of the labour market could never be appreciably disturbed. A stowage at one point would immediately cause an outflow to another. The void caused by the workers attracted through the chances created by the combination would afford corresponding vacancies for the workers thrown out by the break-down of the combining factories. The foolish capitalists, who own these would be the only losers by their attempt to blackmail the consumer.

I have now shown, that in the absence of monopolies, with full freedom of production and consumption interest would be a thing of the past, and that without such artificial props it would have never even existed. I do not mean to say that we should not have had, or continue to have something bearing the same name and apparently the same thing; but when we look closer we shall find that what we call interest in reality is nothing else but the rate of insurance paid for the preservation of capital, not interest proper. Instead of being like this a tribute exacted from labour, it is nothing but an equalisation of risks, a balancing of losses.

### Interest and Rent.

We shall now have to investigate the interest question from the point of view of the second supposition, under which the relations between lenders and borrowers have to be investigated, that of private ownership of land and other monopolies. I need not go minutely into this aspect of the question. It is that of the world we live in and I have presented it before. I have shown that every thing changes completely, the moment capital can find investments of the nature here indicated, or rather to express the exact case, the moment wealth can buy land or monopolies, which enable their possessor to exact tributes from the workers. As soon as wealth will be able to buy land—the strongest foundation any monopoly could have, as men cannot get along without land—wealth will not change into real capital, unless the borrower is willing not only to give as good a security as the possession of land affords—an excellent security, as land cannot be carried away by any body—and furthermore to pay a tribute, at least as high as that to be obtained through the possession of land. The rate of interest of real capital will not be below the rate of rent, adding the average rate at which rent increases, as well as the premium of risk, *i.e.*, insurance.

All declamations against the injustice of interest will avail nothing, as long as the firm root it possesses in rent continues to feed it. When the canonical laws, which forbade it, were most powerful, in the middle ages, they had a very simple way of getting round it. The borrower transferred some land which he owned to his creditor, who collected the rent from it, until the debt was repaid, when the land was retransferred to its former owner.

All the objections made against interest apply with much greater force to private rent. R. G. Sillar finds the principal objection against interest in the fact that the receiver of interest gets a certainty while the user of the capital is subject to all the uncertainties of human enterprise. He says :

“It is not just to make a fixed charge for profits out of gross proceeds, and this you will easily understand by a familiar example. A is the owner of a hen sitting on a dozen eggs, and employs B to feed and attend to her. Justice is satisfied

if B should be paid a fixed sum for his services or that in lieu thereof he should receive one half of the resulting brood; but no one would argue that it is equity for the owner A to bargain that B shall in 3 weeks, deliver to him six chickens, eggs hatched or not hatched. You will observe that in the event of the eggs being addled from any cause, there are no chickens to divide, and the capitalist cannot justly receive any return from his capital."

Does not the same objection attach to rent? Are we not familiar with cases where the tenant has been ruined, while the landlord has fattened on the rent extorted from him in spite of its not having been earned? Rent receivers are at a certainty just like interest receivers; rentpayers are at an uncertainty just like interest payers.

The dangers of compound interest are also presented by rent. What prevents the receiver of rent from investing it in new land purchases? Is it not done every day? Freehold after freehold gets into the possession of the large landowners and just as we see capital gathering in a few hands with ever increasing volume, like an avalanche in its descent, so we see acre after acre accumulating in the hands of the land-cormorants until whole countries once inhabited by a free race of independant peasants come into the hands of a few thousand men, the number of whom is continually diminishing, as the bigger vultures swallow the smaller ones. The free peasants become dependant tenants or agricultural labourers, if there is labour for them. If, as is always the more usual tendency, their services are not needed, a few shepherds or deerkeepers supplying the place of hundreds of ploughmen, they will crowd the labour market of towns, sharpen the already too sharp competition for working opportunities, crowding other workers out of their employments, becoming blacklegs, defeating strikers for a better living, or finally themselves crowded out of this world in which there was no room for them, because sheep and deer wanted it.

### George's Greatest Error.

George has come very near the truth in the 4th chapter of book 43. His definition of the nature of spurious capital could hardly be improved; but he does not see that the interest of



spurious capital, which he abominates as another form of rent, is the only source from which the interest of real capital springs, without which the latter would be bound to disappear. As a rose will smell sweet by any other name so will interest in any shape and under any name be a deadly enemy of labour and of humanity in general, the deadly hell flame destructively darting through the paradise which God gave us back again since the millions of iron slaves took away the curse of labour. This flame, which if we do not extinguish it in time through land-nationalisation or even Socialism,—if we prefer this unpleasant and more dangerous fire engine to the soft and refreshing rain which the other remedy will call down will work such havoc of destruction as the world has never seen before.

An illustration from everyday life will prove better than anything else how impossible it is to separate the two kinds of interest, as far as their practical effects are concerned and how little we can attack the one as an enemy of labour while at the same time defending the other as its friend. A farmer purchases agricultural implements, cattle and seed to stock his farm with. He owes the money to the merchant, as he has not got the means to pay. Of course he pays interest, real interest, if ever there was any. This interest is perfectly legitimate according to Henry George. The farmer is benefited, not hurt. It is not he, who has to earn the interest, but the productive forces of nature with the element of time. Granted for argument's sake. Let us now further suppose that our merchant asks the farmer to allow him to make an entry of his debt into the public records, where land-mortgages are entered. Has the nature of the transaction been changed by this entry? Certainly not. The cattle do not lose any flesh by it; the machines do not work less efficiently. The capital is the same as it was before, the interest, according to George, must be just as much a product of nature as before. Yet in spite of all that the nature of the debt has changed completely. It was a real capital debt before; it is one of fictitious or spurious capital now, for mortgages are nothing but another form of landownership; their interest is nothing but disguised rent. George agrees with me in this. The real nature of the transaction now is that for real capital handed to him by



the merchant the farmer sells to the merchant a certain amount of false capital: land. Instead of paying him interest he in reality pays him rent. To me this makes no difference, for interest and rent are in my eyes of the same nature; they are tributes paid by labour to a master. It is different with George. Interest is a legitimate earning of capital; rent, whether so called or disguised under the name of interest due on spurious capital, is an unjustifiable blackmail, if paid to private parties, as they have not a shadow of a right to the land for which it is paid, this land belonging to the community. So this simple precaution of entering the debt in the mortgage-records in order to insure it against the risks of human vicissitudes, has changed the whole nature of the transaction? What was a legitimate claim becomes an exaction for which no terms can be found strong enough? To-morrow the mortgage is cancelled, the debt becoming an ordinary debt as before; immediately what was blackmail to-day becomes a legitimate remuneration to-morrow. What to-day has to be squeezed from the sweat of labour, making a slave of the farmer, who had to pay it, to-morrow becomes a product of natural forces and the element of time, handed over to its legitimate owner by the farmer who collected it for him? Is not this a sufficient proof of the evident fact that interest in any shape or form grows on the same tree, called slavery, which as long as interest exists has only changed the name of its fruits according to the requirements of civilisation? Does a foetida smell better if called a rose? If he will well ponder on these facts and act accordingly, the great American teacher will find his fight against existing abuses much easier. A reformer cannot prosper without the full truth. Lies are bound to blunt his sword.

#### Mis-leading Power of Deductive Reasoning.

Henry George presents one of the most striking examples of the defects inherent in many of that class of thinkers who work on the deductive system. They are so strongly convinced of the truth underlying their fundamental theory that contrary facts are either put aside, or so distorted that their own mother would not recognise them, in order to make them fit the pet doctrine. The truer this theory the stronger will

be the distorting or suppressing propensity. I have shown in the first chapter, how the strength of the great truth underlying the principle of free individual development without state interference blinded individualists to most patent facts clearly visible and recognisable to any unbiassed eye. I have shown the source of their errors to consist in the circumstance that they entirely lost sight of the fact that we can have no free development of individual powers, as long as natural opportunities, without which the free exercise of these powers is impossible, are monopolised by a minority.

A most interesting example of the magical power with which deductive reasoning from a great truth leads its adepts into overlooking the most simple and evident facts, when these facts do not agree with the one-sided and incomplete picture which the dominating truth takes in their minds, has just been supplied to me by a circular issued by an English individualist, Mr. Auberon Herbert in connection with of a new weekly he desires to start.

In one passage of this circular Mr. Herbert says: "We shall insist upon the fundamental right of each individual to direct his own life in such fashion as seems right to himself, provided only that he does not aggress upon the equal rights of others." This does not at all interfere with his saying later on: "We shall be democratic in a true sense as opposed to all forms of privilege; we shall be conservative in a true sense as defending property against all attacks." This is certainly a most striking proof of the wonderful power possessed by deductive reasoning based on imperfect foundations in waiving aside inconvenient facts which it meets with on the way!

A clear-sighted man becomes perfectly blind to the plain and simple fact that private ownership of mother earth is a privilege as undemocratic as any in this world and that such a privilege cannot be exercised without aggressing upon the equal rights of others. How are 38 millions of Englishmen, Scotsmen or Irishmen to direct their own lives in such fashion as seems right to themselves, if a few thousand of their fellow-citizens own the soil of their country with the right to use or misuse it, as they see fit? Suppose these men take the fancy to change Great Britain into a deer park, as

a foreigner Mr. Winans has been doing with a part of Scotland running from sea to sea, and suppose a general fashion quite the reverse of that of former times, when Englishmen went to America for a good hunt, growing corn on their English lands, set in, what would ensue? Nay, what do we now actually find? Americans using British land as a hunting ground, while Englishmen, Scotsmen and Irishmen grow corn on American soil! Suppose such use of existing rights, and suppose a general eviction of the 38 million inhabitants of the United Kingdom, how are these 38 million to direct their own life in such fashion as seems right to themselves? It seems right to them to stay at home, to remain on the land their forefathers shed their blood for, on that beloved English land of theirs. They want to plough and sow it, to exercise their industry on it, as their fathers had done before them. It seems right to them, just as it once seemed right to 15,000 hard-working Scottish crofters to remain on their native soil and to continue to work it with the sweat of their brows, as untold generations had done before them; but how can they direct their lives in such a fashion, if the legal owners of the English soil will not let them; if they treat them as the Duchess of Sutherland treated those poor Scottish peasants, whom she ordered to be driven off from her land to die in misery, to emigrate or to do whatever they saw fit to do in this beautiful world of "laissez faire" and "the devil take the hindmost"?

Oh, my individualistic Hon. Mr. Herbert, let me tell you, that such individualism of sons of lords and large landowners who want to be "conservatives in a true sense, as defending property against all attacks," of course including property of land of the Sutherland type, let me tell you that such individualism is not of the material required for building forts against the attacks of that terrible giant "Socialism" and that conservatives of your stamp are the most dangerous revolutionists or even anarchists. Do you really believe that in this almost twentieth century of ours brave Anglo-Saxons, the descendants of one of the freest tribes of the great Teutonic family, fully impregnated with the cravings for liberty and independence their ancestors once possessed, who at last after centuries of subjection to the domination of a

landowning minority, the descendants of a foreign nation of conquerors, have come to know their rights and their power of enforcing them either by law or by force, do you believe that such people are to be humbugged any longer with this kind of logic and so-called conservatism? Start your individualistic papers; spread them in millions of copies; preach, with the tongues of angels, that the old prison walls of landlordism, which keep men from the paradise around them, are to be kept protected against all attacks, but that to make up for it in some other way, you will set your individualistic face against any kind of interference with their right to get along as well as they can in their prison, against the interference of all those who want to bring them the food which your walls prevent them from getting by their own free exertions. Tell them all this and be sure that, when Most and his friends have once secured their victory, they will give to such as you the highest medal of the anarchist's State, to show their appreciation of the services you have rendered them.

Enough of this. May the reader excuse me that I have allowed sarcasm to take possession of me for a moment. I was in need of it to get over the feeling of disgust with which social reformers of this type always inspire me. And yet they are not bad men. I have no doubt they are sincere in their way. They are the living proofs of the magic power inherent in great truths manipulated by deductive reasoners who have not first investigated whether their premises really are correct, whether the base of their logic is built on the full truth and nothing but the truth, a foundation without which no lasting success is possible. It does not matter to me, that the single tax men following Henry George's lead already number hundreds of thousands. If numbers were a proof, socialists would be far ahead in truth and old school economists further still. If the great idea we are fighting for has so many followers, even though it yet be mixed with dangerous heresies, what must be its conquering power if its great leader, by trying the inductive method for once, by reasoning from real facts, totally different from those imaginary ones he deduced from incomplete theories, will find his way to the comprehension of the true relations existing between land and capital, rent and interest, and between

both and the *problem of commercial depressions*, which are *nothing else but another name for the great social problem*.

### The Best Remedy.

I now come to the conclusion of this chapter, in which I have tried to show that the remedy for the evils we are suffering under is to be found in the restoration of mother earth to all its children, in its redemption from the hands of monopolists, who are now basing their rent and interest privileges, which are at the bottom of the great labour problem, upon their unjust monopoly rights. I have shown how I reached this conclusion in a totally different way from the great American leader of land nationalisers, or, as they prefer to call themselves, single tax men. It must greatly strengthen the conviction of its truth if such completely diverging ways finally arrive at the same goal. After having shown how social necessity compels us to abolish private land-ownership, with what feeling of satisfaction do we find that the remedy does not consist in artificial decoctions, disgusting to the palate and poisonous in their nature, but in the exercise of natural rights, in our strict conformation to perennial laws, to justice and the commands of humanity and religion. Of course there are other remedies as well, but they are more or less in contradiction to natural rights and principles.

### Socialism.

*Socialism* is one of these remedies. I agree with Stuart Mill that all the objections against it, or even against communism would appear like a hair in the scale, if on the other hand the conservation of the present state of things without reform had to be taken into consideration. Fortunately we are not in this dilemma. We do not need to burn a house to roast a pig; we can preserve the treasure of free individualism, without keeping the dangers it brought us into, through never carrying it out to the full extent of its principles, through being foolish enough to exempt natural opportunities from the objects of free competition while we gave monopolies of them to a favoured minority.

I may be and I even am convinced of the fact, that socialistic principles will obtain to a much greater extent, than



they do even now, when in individualistic England socialist principles are reigning to an extent, realized by few observers. I recommend those who doubt this to read "*Socialism in England*" by Sidney Webb. Among other important facts he adduces to show the advance of English socialism, I only mention that already 31 municipalities own their own tramway lines, comprising a quarter of the whole mileage of the kingdom. Only eight of these lines are leased. The future may bring us great extensions of these and other kinds of public undertakings. Principles like those, which Herbert V. Mills puts forth in "*Poverty and the State or Work for the Unemployed*" may be carried into practice. The present English poor-law system presents such a terrible ulcer on the body of the State, that a reform like that which Mills proposes ought to be taken in hand at once, without waiting for the effects of land reform, which cannot be felt immediately to their full effect. There is nothing in Mills' plan which appears to me impracticable. To set paupers to work to produce all they need would, it is true, create a kind of socialist state in the state; but as long as socialism is not forced on those who want to be free workers, I do not see what harm it can do. There are plenty of people, who, though willing and capable of work, have not got the capacity of administration even as far as is needed for the disposal of their labour in the market. Mills mentions the example of a good and capable gardener in one of the Beggar colonies of Holland who did excellent work when he was under the government of the colony, which provided work for him, attended to his personal needs and left nothing to his own free will; but he became a worthless tramp as soon as he was released. There are plenty of men like him and in fact I find that those who denounce socialism are too apt to judge the masses by themselves. People who give lectures, write books, or influence public opinion in any way, generally possess a certain amount of energetic individualism. To submit to the government and management of others in regard to the disposal of the work they are to do seems to them an unbearable hardship. Even George prefers the present world without reform to the socialist's world without the



stimulating power of competition, in which, as we have seen, he entirely differs from Stuart Mill.

Though accustomed to abstraction, George in this instance is forsaken by his capacity and when he wrote these words in the *Standard*, man for him had taken the figure and colouring of that special specimen gifted with such great energy and such wonderful powers, called "Henry George." Let him look around in this world, especially on this older continent of ours and he will find it inhabited by quite a different set of people. Does he really think, that it makes such a wonderful difference to the workman of one of our factories whether the master is called individual enterprise or state? I think, we may safely say, that to 90 per cent of our European population free individualism is nothing but a well sounding word and even if they understood its meaning they would not understand its practical value. The daily routine of hard spirit killing work has left little of that higher feeling, which stimulates more elevated natures to accomplish the higher tasks humanity has shown itself capable of. "Stitch, stitch, stitch," goes on from morning till night, as in Hood's wonderful poem, and to make both ends meet, takes up the thoughts of the leisure hours. Free individualism indeed! Whatever there is of it in such people is soon crushed out by the Juggernaut car of daily drudgery from which they try in vain to save their limbs and souls, happy at last even if there is found room for them under the car. Let all progress stop and only give them a just share of what could be produced by present means of production, employing all the unemployed and doing away with the waste in the trades, in commerce, in military pageant and drone life, etc., can there be any question but that they would be much better off than to-day, even if the state officials were as hard task-masters as those appointed by the laws of supply and demand?

I would go so far as to say, that Herbert Mills' plan might be extended so as to embrace all those who are out of work or who through inclination prefer to work without thought for the morrow, leaving to a paternal government the care of attending to the management of work and to the distribution of wealth. Results would show whether the tendency of future development was in the direction of socialism or in-

dividualism; whether material prosperity and better education would make more independent beings out of drudges and with the growth of independent feeling would make them prefer to shift for themselves; or whether the disappearance of want with its ennobling effects on human character would succeed in so subduing human selfishness, that mankind would find it more advantageous to drop all the waste inherent to the best system of individual production and exchange by living like one great family. Perhaps it would adopt the system even to-day practised in the real family (extended to a greater circle, sometimes even numbering almost a hundred individuals in the Zadruga, the Slavonian family community) a system best described in that formula of one of the socialist schools: Every one according to his capacity and to every one according to his needs.

Even partial socialism may succeed in doing away with the most pressing of present evils. If the *German Imperial manifesto*, which has just appeared, as I am writing this book, could succeed in establishing universal regulations about working hours, prohibition of children's and married women's labour, fixing of minimum wages, etc., it might in this unnatural way arrive at the desirable end of doing away with the army of the unemployed, and thus, with this principal bar removed, the rise of wages might continue until labour was getting the just reward of its exertions, which would only be, when it got the full value of its product. The army of the unemployed, that immense reservoir of blacklegism, which no picketing will be able to close, because hunger is more powerful than all the threats of Unions, offers an unsurmountable barrier to the lasting success of strikes under present circumstances. This army once disposed of, whether it be by Imperial legislation, or by "black death," workers have it in their own power to raise their wages to the utmost limit. The scarcity of labour caused by the black death in the fourteenth century raised wages to such a degree, that laws were made for the purpose of limiting them.

### Do Higher Wages raise the Prices of Commodities?

In the next chapter we shall see how ridiculous that objection is, which we daily meet with, when this question

of higher wages is treated, that higher prices would so much decrease the purchasing power of wages, that the gain to workers would only be an imaginary one. In this place I only want to point to the fact, that wages do not form the only component of the price of products. According to different estimates they do not exceed one fifth of the retail price of goods. Rent, interest, waste of all kinds take almost the whole balance. The part paid to wages of enterprise and supervision is so small, that we hardly need to take it into consideration. Prices therefore need not necessarily rise with a rise of wages, if the part of labour is increased from that of the other partners in the distribution of the product. It is certain, that the lion's share taken up by waste, mostly in the mercantile department, could be materially reduced and the saving thus obtained could by itself at least double the present share of labour, without increasing the price of goods. Under present circumstances rent and interest of spurious capital would get the saving made in this way. The consumption of merchants and shopkeepers, diminishing with the decrease of their numbers, without being replaced by a corresponding increase of consumption of landlords and capitalists would lessen the opportunities for work. The labour displaced from unproductive departments could not only find no occupation in productive ones, but even workers in these would have to be dismissed, because of the decrease of consumption. Waste, as I have shown already, performs the office of a leech drawing off some of the superfluous blood of the social body and thus putting off the danger of a stroke of apoplexy.

It will be different, if labour is enabled, to take up the share saved by a reduction of waste. The consumption of workers would so increase, that the superfluous hands crowded out of commercial occupations would find plenty of work in productive enterprises.

But what would prevent rent and its child interest from monopolising all the savings obtained in other departments even after such laws are passed? They do so now, why will they not continue to do so? They will not, because there are two ways of killing a parasite: one by taking away its food, the other by having another parasite feed upon its

body. The first, natural way would be land nationalisation, which by taking rent, and thus stopping interest exaction, starves the parasite monopoly. The other way sets parasite against parasite, monopoly against monopoly. Against the monopoly of rent secured by law, labour gets the monopoly of maximum hours of labour, reduction of competing hands, perhaps also minimum wages, etc. All these monopolies would procure to labour the power to strike for higher wages before it goes to work and the holders of the other monopolies would have to yield and be forced to sacrifice their blackmailing power to a certain extent. Theoretically we might think, that the owners of natural opportunities are the stronger in the fight, as they can get along without labour, *i.e.*, without any other labour than their own, whereas labour can do nothing without natural opportunities. Theoretically this is no doubt true, but not in actual life, where those men whose monopolies are the cause of our misery, the large landlords and capitalists, will not dream of working the natural opportunities they hold, by their own labour. Even if their laziness and want of practice or knowledge would let them, they could never satisfy more than a fraction of all those manifold wants to which they are subject, and if it were a question of starving out, it certainly would not be their effeminate bodies, which could hold out longest. Even if they had laid in a large stock of all the necessities of life, they are so much used to the services of their fellowmen, that the absence of these would soon be more painful to them than actual want would be to the workers. They cannot get along without work and if artificial labour-laws created a monopoly enabling labour to hold out for better terms, their own monopoly would have to yield.

This is in accordance with the so called iron law of wages, which restricts wages to the means of existence necessitated by the standard of life.

If the law artificially raises the standard of life, rent and interest will have to be satisfied with a smaller share.

It would not be the employers of labour who would be the sufferers, as far as they work themselves. Wages of supervision would rise with other wages, as they do now, for higher wages mean increased consumption and production

and, of course, a greater demand for work of organisation and supervision. There can be nothing more foolish than for employers as a body to protest against higher wages. Of course a single employer, a set of employers, and, in some cases, even all the employers of a single country might be losers, if they had to raise wages; but there can be no doubt that a general rise of wages would be advantageous to all employers in the world. Even if such a rise were restricted to a single country, it would be of advantage, for even supposing it was necessary to shut out the competition of cheap labour by protective laws, what is all international commerce, if compared with the home trade, as it could be, if we only willed it? If the United Kingdom, great as its international commerce is, would restrict itself to a simple exchange against those products which her own people cannot create by their own labour, viz., tea, coffee, spices and tropical products in general, and would put a Chinese wall around the country, prohibiting all importation of anything else, foolish as such proceedings would be, by which all those immense advantages of international division of work are given up, her people would be immensely happier and more prosperous than to-day, provided the breaking down of our present artificial obstacles, or, in case the false and roundabout way of such state socialism as the Imperial manifest points to, should be preferred, if labour laws forced up wages to such a height, that there was nothing left for monopolistic millionaires. In a very short time we would see a rich and happy land filled with happy and contented agriculturalists, producing food of all kinds in abundance for the whole nation, and flourishing manufacturing establishments providing all the necessities and luxuries of life, not for a wasteful minority, but for the whole people. The British Islands could maintain a much greater population than they possess, without having to import a bushel of corn.

We see now, that even by the artificial way of socialism or that of a more mitigated state interference an important reform could be carried through; but this method of procedure is a thoroughly unnatural one, and here we find the cause of the enormous difficulties all such plans will have to fight against. The teachings of the great economic school



started by the French Physiocrats and by Adam Smith, strengthened by the analogous current of thought in the department of science, which showed natural development and evolution to be the agencies gradually bringing about the great changes in this world, have created a strong objection in the minds of leading spirits against any unnatural interference with economic laws.

It will be much easier to make them understand, that these economic laws could not operate, as they ought to have done, by showing them that liberty is a goddess, who does not brook any half service, but will only pour out her blessings, when fully obeyed—and this cannot be done, as long as we monopolise natural opportunities—they will easier understand this, than believe in increasing state interference. Though an emperor stands at the head of the movement, and though his bold lead reflects the greatest credit on him, I believe that it will not be carried to success. I believe that the easy and natural way, which land nationalisers are showing, will much sooner find general acceptance.

A French quack was selling patent medicines to a gaping crowd. He had just succeeded in selling a powder which according to his promises never failed in killing those diminutive animals, which to our great disgust have at the same time chosen our bodies for their gymnastical exercises and for their dinner table. The peasant, who had bought the powder wanted to know how it was to be applied, after he had paid for it. "You take ze flea with ze left hand between ze thumb and ze middle finger," explained the quack, "and you take one of ze powders with ze right hand. Now you tickle his throat until ze beast laughs, which makes he open ze mouth. Quickly you put in ze powder and he will die immediately." "But if I have got the flea, I can smash it with my finger-nails," interposed the customer. "You can do zat, if you prefer it," impertubably replied the quack.

I think, that the natural way of killing the parasite which infests the social body by simply catching and killing it is greatly preferable to the insertion into his throat of patent medicines, in which some of our best meaning men believe. State interference is a poison and though in certain cases even a poisonous medicine may be preferable to none at all,



cutting off the fountain of the disease by getting nature to act will always be better.

Nature will act, if we only let her. She is a bountiful mother, at whose breasts every human being will find plenty of food, if we do not deny him access by unnatural laws. Natural law knows nothing of private landownership. There cannot be any ethical, moral or natural foundation for property rights of this kind.\*

### Arguments against Land Nationalisation.

The *Nineteenth Century* of February 1890, offered the sad spectacle of a man, who had done great things for the progress of his kind, prostituting his mental powers by trying to prove that there was no such natural right as that of common landownership. Professor T. H. Huxley with all his brilliant rhetoric about the natural rights of tigers to eat Hindoos and of hunters to kill tigers, could not

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\*William A. Phillips in "Labour, Land and Law" a search for the missing wealth of the working poor. (New York, Scribner) gives an excellent illustration of what we call *property*, by beginning his book with the following tale:—

"It is related that a certain Eastern potentate fell into the impecunious condition, common to many of his predecessors, and set his wits to work to devise a remedy. A farmer of imposts who had often aided him, in this dilemma came to his rescue. He offered him sixty thousand toman's for all the winds that should ever blow over Cashmere. The monarch at first affected to be staggered at the proposition. He was unable to find anything in precedents to warrant it, but although a believer in the doctrine that whatever is is right, he was forced to admit that a monarch may introduce useful innovations. Of course, it was assumed that he was the supreme owner and disposer of all things in his dominions, not only for his own brief, erratic span of life, but for all time, and so he came to the conclusion that, as everything in the world has been sold which could be sold, there was no good reason why the winds, unstable though they might be, should be exempted, if a purchaser could be found. After a proper amount of preliminary haggling a sale was made and the transaction legalized by all that signatures, seals and parchment could do for it.

Before the public had fairly got over laughing at the absurdity of this novel bargain, the owner of the wind issued a proclamation forbidding all persons in Cashmere from using his wind to turn their windmills, winnow their corn, propel their vessels, or employ

arrive at a better conclusion than that there existed no natural right but the right of the strongest, an argument, we might safely accept, for after all it is only another way of saying, that the majority of men, whenever they are stronger than the minority, which monopolises the ownership of the earth—which they always are, when they only know their power—have a natural right to dispossess the minority. Never mind in which way we look at it, no amount of sophistry has ever been successful in proving, that some men have got a right to live and others have not, even if both are equally well fitted for the battle of life. Furthermore, no amount of sophistry can prove, that life without access to the earth, and its fruits is possible, from which it logically follows, that those who own the land can prevent those who do not from living on this earth, unless they accept the landlords' terms unconditionally.

But this was not the worst argument Professor Huxley brought against land-nationalisation. He says that if the earth belongs to all men, then every Chinaman has just as good a right to the English soil as Englishmen, which he thinks a most conclusive argument against land-nationalisation.

At its best this argument maintains nothing but the principle that if we cannot right a wrong altogether we had

it in any other manner, until they had first entered into agreements with him and obtained leases for the various localities, covenanting to pay certain amounts for the privilege. Then the laughing turned to lamentation. The monarch met the torrent of petitions and complaints by affecting to deplore the circumstance. He could not foresee, of course, all that had occurred, but his sacred word was involved. Rulers of that type are usually very particular about their sacred word. Driven to desperation, the inhabitants contributed the amount that had been paid for the wind and tendered it to the sovereign so that this unheard of transaction could be cancelled.

The matter was not to be so easily arranged. The owner of the winds of Cashmere would not think of such a thing. He had acquired a vested right in them. Since it had become purchaseable the wind had greatly risen, in price at least. Wind stocks were on an upward market. The owner insisted that his title was good. He did not claim it merely by his right of discovery of the commercial value of the wind, or that he had been the first to preempt this privilege, but he had fairly bought it from the representative

better continue it rather than to do away with part of it. Improvement is out of the question because we cannot get perfection. We get hold of a robber, but our conscience will not allow us to take away his booty, because we cannot get at all those whom he robbed. Surely this is almost as bad as Mr. Auberon Herbert's argument that if the land belonged to all men, only the whole body of humanity without a dissenting voice has a right to dispose of it. If a single man has no right to own land, the majority has not got any either, which means that landlords are not to be disturbed, because we cannot get them to join their vote with that of the other rightful owners. Mr. Herbert as a shareholder of a limited stock Company no doubt will contest the right of the meeting of stockholders to dismiss unfaithful servants, because not all the stockholders are represented, or because the vote of the accused dissents.

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of government, and declared that his title was begirt, and founded on all that was sacred in law or the theory of eminent domain and supreme authority. It would be altogether unfair to ask him to surrender this valuable privilege for anything less than what it might bring him in case he should be allowed to keep it. The proposition of the people was merely a bald scheme of robbery. It was subversive of all property rights ; was socialistic, agrarian and revolutionary ; and to force him to accept of a price so inadequate would strike a fatal blow at the best interests of society and undermine the whole fabric on which the rights of property rested.

This reasoning was, of course, entirely conclusive to the monarch, who was undoubtedly the confederate of the farmer of imposts, but, as human endurance can only be stretched to certain limits, it was agreed between them that a fair price for the wind, at that date, would be ten times what was originally paid for it. This amount was finally raised by a long suffering people, who merely exacted a promise from the commercial monarch that he would never sell the wind again, but permit it in God's providence to blow over them free and unrestricted as of yore."

How ridiculous this story appears, to all of us and yet there are millions, among them many teachers of political economy, who laugh at us, when we oppose ourselves to private ownership of land, as if land was less a part of creation than the wind and as if men could live better without it. The fact is, we might get along without the wind, but we could never live a second without the land.

How does Mr. Huxley know, that we would strike such a bad bargain if we had a mutual agreement with Chinamen, to own our lands jointly, which means that the ground rents collected by the two states would be divided equally among the inhabitants of the two countries? It is nothing but a division of ground rents, for the only way to enjoy a common property of this kind is not to divide it into equal parts, which is impossible, but to rent it out to the highest bidders for the common benefit. A hundred stockholders owning a factory do not divide it between themselves, but they rent it out to the highest bidder and divide the proceeds, if they do not prefer the usual plan on a socialist basis of working it jointly. According to the excellent book of my friend Eugene G. Simon—who in his “*Cité chinoise*” gives an excellent description of China, which he saw, as few Europeans have seen it, when as French consul he lived and travelled there for many years—the land values of China are so high, that if we compared them with those of Great Britain and Ireland acre for acre it is more than questionable if the balance would not be in favour of China, so that a partnership of the kind supposed by Mr. Huxley would benefit us more than the Chinese, who probably would be the losers by it. The time may come when human progress will have abolished boundary lines and when a citizen of the world will be at home where-ever he goes, enjoying equal rights everywhere. In that day perhaps the great congress of nations may have the task of establishing a world’s clearing house for rent of land in the different countries, in which the total of rents collected by each national division will be divided among the different nations according to the number of inhabitants, so that each citizen of the world will get his equal share of the rent realised for the common earth. But until then we shall have to content ourselves with having got as far as to have accomplished unity on a national basis, as immense a progress from the unity of the tribe and tribe ownership as was the tribe from that of the family, and family ownership. We must be content if we accomplish land nationalisation on a national basis, until some day perhaps we may reach world ownership, *mundanisation*

In the Slavonic principalities of the lower Danube we have

yet numerous examples of family landownership, (Zadruga) the family consisting of several generations. In Russia we have the (Mir) the ownership of the commune. In different countries we have extended communal property of land as a remnant of a system, which formerly seems to have been universal. Even though their way of administering the common property requires great reforms and has many drawbacks, immense advantages are accruing to the communities concerned—accruing even from this imperfect and antiquated system. If, instead of entirely doing away with the great principle underlying it, our forefathers had contented themselves with the improvement of the system of administering the common property, the world would be a good deal further advanced in civilisation than it is now.

I have dwelt a little longer than the subject warranted on Mr. Huxley's arguments, for it must be very instructive to see what kind of defence landlordism is finding, even among a class of men for the most part highly qualified by natural talent and by study of a varied nature to do the best for their client that an advocate could be expected to do. And these are really the best arguments offered by the antagonists of land reform. There is no need to enter into the weaker sophistries, which they advance. There is no excuse for them, but the natural influence of interest, of friendship and other powerful links attaching such people to the present state of things and blinding their otherwise clear reasoning powers. If it was not for this, it would hardly be possible to find among the other arguments of Mr. Huxley one brought against the principal foundation of our theories, the limited quantity of land. He has the courage to reply that the fruits of land are limited as well as land itself, in spite of the undisputable fact that the fruits of land can be multiplied to an almost unlimited extent, whereas land cannot be multiplied at all.

The fruits can, land cannot be increased.

Again, take his objections to the theory that man can only have a right to the improvement his labour accomplishes, not to the raw material of the earth. The two, he urges, cannot be separated, for instance, in the case of a watchmaker, as if the royalty paid for the iron, the coal, the gold, and other



raw materials contained in required for the production of the watch did not pay for these raw materials. If these outlays are deducted we find that only the property in the improvement remains as the real net creation of labour and nothing more.

It would be impossible to explain on other suppositions, how honourable men possessed of common sense, like Mr. Scott-Moffat, could write defences of landlordism like those answered by me in a symposium on the land question, which appeared in the "People's Rights' Journal" of '89, in answer to a paper by that gentleman. I here quote the passage:

"There is something so infinitely enjoyable in his definition of the functions of ownership. It is so correct, too. You can see that immediately, when you take, for instance, Mr. Winans, the American, who owns a part of Scotland from sea to sea. First, 'to guard the land against intrusion'—of the cultivator; 'to maintain the right of the owner or his representative to its fruits'—driving away the original owners of the soil, the people who cultivated it for many centuries, who fought for their country's glory on many battle fields, to Canada, Australia, or the United States! Secondly, 'to procure and maintain (drive away and starve) tenants capable of cultivating it to advantage!' Thirdly, 'to maintain or improve the condition of the land'—changing it back into the original desert, to afford a hunting ground for idlers. Formerly, these went to the American West to shoot deer. Now the Scottish cultivator goes there, and his fields are turned into western wilds so that the Americans can hunt here. "Whether directly, or by agreement with the tenants.'—For form of agreement see Sutherland clearances. Instead of 'agreement with' read also 'with the rent paid by the tenants.' It is equally refreshing to read about the excess of rent being due to the high cost of food, at a time when rents are too high because wheat is cheap."

When we turn from such trash to the powerful arguments of men like Henry George, Herbert Spencer,\* A. Russell

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\*The irrefutable logical conclusions presented by Herbert Spencer in his "Social Statics" will not lose anything of their power, even if their author in later years has chosen fit to deny them. If



Wallace, Charles Wicksteed and others, we are reminded of the fight men like Stevenson and Morse had to sustain against the scientific and technical authorities of their time, proving with irrefutable arguments why the inventions of these great men were thoroughly impracticable. We laugh at such things now and so will our children when in the full enjoyment of land-nationalisation, they read of those arguments once brought forward against the great reform. They will produce the same effect on them as it produces on us, when we read of the impossibility of running trains on rails by steam power, because the axles would melt and the rails be turned into glowing firebands from the heat produced by the trains. Yet this was proved by Dr. Lips, a German scholar in 1833, four years after the first English steamhorse was running its regular course. He equally proved that our breathing organs could not stand the rapid motion.

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Pythagoras had repudiated the mathematical proofs connected with his name, it would never have taken away a particle from their scientific force, unless he could have shown where the error came in. This Mr. Spencer never did; he only found it inconvenient to stand by the practical conclusions, to separate which from his theoretical premises proved an impossible task even for a man of his powers.

In the January number of the *Nineteenth Century* he says :

“It remains to add that beyond the deductions which, as we have seen, are verified by vast assemblages of inductions, there may be drawn other deductions not thus verified, deductions drawn from the same data, but which have no relevant experiences to say yes or no to them. Such deductions may be valid or invalid; and I believe that in my first work, written forty years ago and long since withdrawn from circulation, there are some invalid deductions.”

In a letter written to the *Times* in November '89, he specifies the points in which his deductions about land-nationalisation, according to his views, are not verified by inductions. Taking the land without compensation seems to him out of the question, being downright robbery. On the other hand, he cannot see how the landlords can be bought out without having the interest charge take the place of the rental charge, thus leaving no advantage to the nation, and he cannot see that state management would be better than landlord rule. I have not got the letter before me, but if I remember correctly these were his ideas. I shall show in the last chapter that compensation is possible without a permanent interest charge

The Bavarian minister, Abel, said at about the same time in reference to railroad building: "If England wants to ruin herself, we must let her do so; for us Germans there is no reason to imitate this folly." The celebrated French scholar Arago, proved that it might perhaps be possible to transport men by rail; but that certainly steam-cars never would do to carry heavy freight. The extract from the *Quarterly Review* of 1819, which can be seen in the Kensington Museum, is well known, in which a scientific authority makes fun of railroads as of impracticable dreams. And a great many more of these irrefutable proofs of authorities could be added. I only mention one of the latest, the great scientist Faraday's prediction, that the piercing of the Suez Canal would cause a deluge of all the countries bordering on the Mediterranean.

It is not the purpose of this book to produce all the arguments in favour of common ownership of land, a task which has been fulfilled better than I could do it. I only want to add a new line of arguments to those already given. I want to show that private land monopoly is at the bottom of all monopoly rights existing under the name of spurious capital and of all the forms of tribute unjustly exacted from labour, whether they are called rent, interest, taxes, or otherwise. I want to show that to private land-ownership we owe the existence of the modern social problem of diminishing working opportunities and deepening commercial depressions, but from completely different causes than those given by other land reformers. They only saw the superficial effects of the present system, speculation driving labour from the land to

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on the nation, and if it can thus be proved, that it is possible to get the land back for the nation without despoiling present owners, and obtain a revenue of over 150 million for the people, which to-day go into private pockets, if we can make rent serve as a means of relieving the people of all other taxes and rates, instead of being the source of all misery, by forming the nucleus of those unconsumed interest avalanches, which threaten to destroy our civilisation, if this can be proved, it would be a matter of indifference, if it were true, which it is not, that the state or the municipalities could not manage the land better than landlords. Herbert Spencer will perhaps live to see inductions verify his irrefutable deductions.

swell the industrial crowds in towns and to add increasing violence to their battle for life. I have tried to strengthen the position of land reformers by showing how much more powerful the effect of our proposals is bound to be, when we prove that the indirect effects of land-nationalisation through its influence on interest of capital will be much more powerful than the direct ones seen by most land reformers. Most, not all, for though the real cause of depressions has not been understood by any one of them, the relation of rent and interest is to a certain extent seen by some, for instance by Mr. Charles Wicksteed, whose book "The Land for the People," which I have just seen for the first time, is by far the best work of this kind, I have met with. I shall yet have occasion to refer to it in the chapter treating of the practical question how to obtain and to manage the land for the people. Books like these and especially like "Progress and Poverty" have to be read by any one who feels interested in the greatest problem of our time, of all times. Mine cannot pretend to take their place. All I want, is to give a supplement, which I thought was urgently needed to attain a full understanding of the great problem and to facilitate the way to its solution.



## CHAPTER IV.

*The Effects of the Remedy.*

The effects of the great reform are best divided into two kinds. 1. Direct and 2. Indirect effects.

I do not intend to spend much time on the first kind. Henry George and others have done that better than I could. They have shown how labour is driven from the land through landlordism crowding our towns with that immense reserve-army of the unemployed, which presses upon wages and renders almost impossible any efforts of organised labour to better its condition by its own exertion. They have shown how impossible it is for any other system to secure the land to those who want to work it by their own hands, how futile all the efforts of those well meaning philanthropists are bound to be, who believe in that phantom, called *peasant-proprietorship*.

## Peasant-Proprietors.

If any further proofs of this are required we have them in the latest discoveries published by our friend Albert Toubeau. In his excellent book "*Le proletariat agricole en France depuis, 1789*" he effectually dispels the deep rooted *illusions about the French peasant-proprietor*. He shows that it is only one more of many myths of this kind, when we hear of the soil of France as being owned by peasant-proprietors, and another, when we hear of the exceptional well-being of these peasant-proprietors.

He sets before us an extract from official documents, showing that, setting aside the large farms of 200 hectares on the average, the owners of which do not cultivate the soil with their own hands, and only counting those where the owner guides the plough himself, *not more than one tenth, say one tenth of the soil of France is owned by peasant-proprietors*. Leroy-Beaulieu has to confess in the very book by which he

tries to show the gradual equalisation of wealth that 50.9 *per cent. of the French territory is worked by tenants*. If we add to this forests, heath, mountains, lakes and rivers, towns and factories, if we further add the large farms worked by their owner, either through superintendents or even by personal supervision, but without actual manual work, we arrive at Toubeau's figures. R. Meyer and H. Ardent in "La question agraire," Paris '87, say that the territory owned by great proprietors has increased since 1889, and landlordism has become harder and more unlimited in its rights than it has ever been since the Roman occupation. Rothschild alone owns 200,000 hectares. In his book, "La reforme agraire, et la misere en France," Fernand Maurice arrives at the same results as Toubeau. He shows that 8.6 million land-owners own not more than 2,574,589 hectares, not more than 5.9 *per cent.* of the whole territory, that in consequence they do not own much more than an acre each on the average.

### Mortgages.

Karl Preser in "Die Erhaltung des Bauernstands" (Leipzig 84), estimates at 20,000 *million francs the total of the mortgage debt resting upon the French soil in 1876*, of which four-fifths fall upon the small proprietors, every hectare of whose property is indebted for 1,200 francs on the average. As the rate of interest of mortgages can safely be taken as double the rate at which economic rent in its relation to the value of the land will amount to, we arrive at the result that in the country, which is usually given as the paradise of the peasant proprietor, on the average this fortunate peasant proprietor does not own the rental value of his land which really is owned by capitalistic mortgage holders. Instead of improving this state of things is getting worse from year to year. In 1882 alone the credit foncier increased his mortgage loans by adding 400 millions to his bonds. According to Toubeau the mortgages entered officially, which will by no means give us a correct idea of the real debt, amounted to 8,854 millions in 1820, to 11,232 in 1832, to 12,308 in 1840, and to 16,000 in 1868. More than 200,000 of the houses in which these happy French peasant proprietors

live have not got a single window, the door being the only opening of the house.

It is everywhere the same, wherever free trade in land, the ideal of English Liberals, is reigning. In one single year, from 1886 to '87, mortgage indebtedness increased 624,161,840 Mark in Germany on agricultural land alone, not counting the towns, from which only 40,100,101 have to be deducted for mortgages paid back.

A. H. Heath, entrusted with labour statistics for the State of Michigan, gives the mortgages of his State as being estimated at 129,229,553 dollars. An agricultural paper gives the increase of mortgage indebtedness as exceeding 50 millions a year in the State of Ohio alone. An article in the *New York Times* names ten western states, the real estate of which at a low estimate is burdened with mortgages to the amount of 3,422 millions, one quarter of the nominal value. The rate of interest being very high in these States it is easy to estimate how soon the ownership of the rental right will have completely passed from the hands of the nominal proprietor into those of the capitalist owning the mortgage.

In Austro-Hungary mortgage indebtedness increased 1,500 million florins between 1870 and '80

It is a great pity, that the old Grecian system of erecting stone tablets on each estate showing the indebtedness is no more in use. The greatest part of our civilised countries would present the appearance of immense churchyards, on the tombstones of which could be read, "Here lies in peaceful deathrest, what once was a free community of independent peasant-proprietors. The coffin has been manufactured in the workshops of Capitalism."

A good deal of nonsense about free trade in land, peasant-proprietorship, etc., would be done away with. We have only to read history, to find on every page how peasant-proprietorship has always been the forerunner of the *Latifundia*-system. Free trade, free inheritance, and free indebtedness of land, finally always result in the big fish swallowing the small with increasing rapidity.

**Capital at Compound Interest increases faster than Land Values.**

I do not intend further to enlarge on this subject of direct



and indirect *latifundiæ*, direct, as represented by those immense estates with which English readers are familiar enough, indirect as found in the existence of an immense spurious capital consisting of mortgages, bonds, etc. Neither do I intend to waste time on the question of the unearned increment, which George and others have handled so well. I only wish to point out, that even here the direct effects of land-ownership have to give way to the indirect ones. The increase of capital placed at compound interest in secure investments is faster than that of land values, even if the rental incomes are taken into consideration. I can prove it for the United States, and if it is true in a country with such enormous increase of land-values, it certainly cannot be denied in other less fortunate parts of the world.

The German statistician Neumann-Spallart gives the increase of national wealth of the United States between 1810 and 1880 as from 1,500 to 43,642 million dollars. As in 1880 half of this wealth consisted of land (in reality it was more than half, as Neumann-Spallart based his calculation on the low estimates of unoccupied land, which do not usually reach more than half their market price), we may suppose that the same proportion held good in 1810. We thus have a twenty-nine fold increase in 70 years. Capital would have obtained about the same increase in this time, if invested at 5 per cent. Would capital have brought 5 per cent. beyond the rental incomes of land during this period? I think it would have brought more, for the following reasons: 1. The greatest part of the land did not bear any rent at all during this time. 2. The rate of interest of rental incomes in the United States is much lower than that of capital secured by mortgages, for the value of land arises from the capitalisation of rent at the market rate of interest of such investments. In the estimate of this rate, the prospective increase of value is taken into account, and we thus arrive at a very low rate of rent, if the rate of prospective rise is a very high one. Supposing 10 per cent. to have been the average rate of mortgages (it was even higher), and 5 per cent. the rate of increase, the remaining 5 per cent. or 20 years purchase would be the rate of capitalisation of rents; land would have brought 5 per cent rent

on its value, where it could be let at all, whereas capital brought ten.

When we come to investigate the question more closely, we shall be brought to the conclusion that after all it could not be otherwise. As interest is the offspring of rent, so interest must keep apace with rent; but not only with rent proper, but with the profits obtained through the unearned increment added, for capital will not invest in any other shape unless it can obtain at least as much as it gets from land investments. I say "at least as much" for the honour usually connected with land investments, helps to reduce a little the rate of interest obtained through such investments as compared with that reaped in other departments. It is quite natural therefore that capital invested anywhere expects to increase as much as it would if invested in land values and for this reason compound interest must secure at least as large an increase as land investments. It is only as the base of all secure income-bearing investments that land is also responsible for the booty taken by interest.

The Protean shapes of land and fictitious capital, of rent and interest, two names for the same thing, are the cause of most of the misunderstanding reigning in this field. It is true, that land and real capital are essentially different and so are rent and real interest; but the vendibility of land has created a new economic factor, called land-values. Land and land-values are so intimately connected in our habits of thinking that most people are not able to separate them.

Land is the substance of the globe we inhabit; it is a tangible concrete object continually before our eyes, always in direct or indirect contact with our body. Land-values are the estimates of how much wealth land will exchange for in the market and as in this capacity they are playing exactly the same part which any of the real kinds of wealth are performing, they cease to be commercially distinguishable much as they may differ in their economic nature. They are only fictitious or spurious wealth, but their exchange value is the same as that of real wealth. The same relation holds good between rent and interest. Economically they are two completely different things. Rent is the hire exacted for and, interest is the hire exacted for wealth, *i.e.*, for goods of

any kind, *i.e.*, for any joint product of man's and nature's labour. But though economically different they become identical in practical life, wherever land has become a saleable commodity. Wherever land as fictitious wealth is exchangeable against real wealth, the hire of land is bound to become identical in its effects with the hire of wealth and rent as spurious interest, with real interest, or rather *vice versa*, as it was the spurious mother which gave birth to the real child.

This practical identity of the real and the fictitious, as far as economic and social effects are concerned, is the cause, that the unearned increment and the increase of capital through compound interest are very much the same thing described in other words. It is true, that there are cases, in which the unearned increment reaches a point which accumulation through compound interest could not have reached in the same period. There are small areas of this globe, where the increase of population has been so much greater than in others, that the hiring value of the ground has increased enormously in certain periods. In New York, Chicago, or other growing western cities, in Berlin, especially since it became the capital of the new German Empire, rent and land values have increased more than a thousand fold in certain localities within the last 30 years. Such exceptional cases can just as little be allowed to influence general rules as exceptional commercial profits of a few lucky speculators can influence the average profits of a nation. It is easy to see that as a rule the results of compound interest accumulation must be at least on a level with those due to the unearned increment. We have only to remember that even at the lowest rate of interest obtainable in the market for secure investments, we get such immense sums through the operation of the interest-law that all the wealth of the world could not keep pace with it. Impossibilities are impossibilities, and therefore those sums cannot be reached either in actual wealth, or in spurious wealth, for even spurious wealth cannot rise beyond certain limits. It is bound to keep some relation to the actual wealth against which it is exchangeable. In the present state of things when land as a saleable commodity is the base of our economic system and the fertile

mother of many other kinds of spurious wealth, the proportion of the real wealth to the spurious is continually diminishing, or rather, to express the relation more in accordance with the actual facts, the proportion of the spurious wealth to the real is continually increasing, with the advance to civilization.

### Mutual Relations of Real and Spurious Wealth.

When man yet lived in the primitive state, when land was common property, and when each worker owned the full property of what his labour produced, there was no spurious wealth; all wealth was real, what little there was of it. It would have remained so, if land had remained common property. No monopoly rights of any kind giving a permanent right of levying blackmail from workers would have come into existence. With increasing wealth the rental rights accruing to the community from the lease of the common patrimony would have increased in proportion and would have made the state the greatest capitalist, fully able to undertake all those great enterprises of transportation, irrigation, water-supply, &c., which under different circumstances became such prolific sources of spurious wealth. But land was privately appropriated and fictitious capital was born.

As long as the community was poor, as long as workers hardly earned enough to make a living, even if they owned the full product of their labour, there was not much chance for fictitious capital, which can only exist where the worker can afford to give away part of the product, being as we have seen, nothing else but a capitalisation, or market value of the privilege of confiscating a part of the product of labour. It was only when wealth advanced beyond a certain point that spurious capital made its appearance, at first mostly in the shape of land and slave-values.

It bore a very small proportion to the real capital; but as the real capital increased faster and faster, the part which could be squeezed from labour increased in a much more rapid manner, every increase of wealth, as we well know, not increasing the share of the labourer in proportion to the growth in value of his product; but on the contrary giving a continually increasing share to idlers. Spurious wealth

being nothing but a capitalisation of this share, was thus bound to increase in a faster proportion than real wealth.

In the machine age the advance made by spurious wealth over the real made rapid strides. I estimate the proportion of the two as one against two, *i.e.*, one part of real capital to two of fictitious, so far as progressive countries, like Germany, England, France and the United States are concerned. It is immaterial what are the components of the spurious wealth of a country, whether they be slaves, land and transportation-values, or public-debts, etc., and what proportion they bear to each other. When public-debts take the lion's share, as in England and France, land-values are smaller where there are few public-debts, there is more room for other kinds of fictitious wealth. Labour is spoiled just the same as in other countries having large debts; only instead of levying the blackmail through the taxgatherer in the shape of interest on bonds, it is done in the form of rent through the landlord, or of interest through the mortgagee, as in the United States, for instance, where land values form a proportionately greater share of spurious wealth.

Though spurious wealth forms a continually increasing part of the total of national wealth, it can never rise beyond those limits, which are traced by the "fleeceability" of labour. Successful combinations of labour, or state-laws limiting the number of working hours or the number of workers, or fixing minimum wages, may limit that fleeceability, may even reduce it and by thus changing the relation of real and fictitious wealth in favour of the former, may constitute real reforms, though the way be an unnatural one and not half as good as the natural destruction of spurious wealth through the resumption of the land by the state. Unlimited "*laissez faire*" in every economical department, in the free exploitation of labour as well as in trade in land and natural opportunities—a free trade without which the other unlimited freedom would do no harm would be a blessing—may increase the fleeceability of labour to such a degree, that millions are driven to slow starvation, which would be hastened if a humanitarian age had not provided poor-laws, forcing the owners of fictitious capital to lengthen the starva-



tion process, thus putting a few weak trammels on the increase of their wealth.

But even did such laws not exist there is a limit to exploitation of labour, the limit of nature. A man must eat, if ever so little, to be able to work, and in spite of machines we cannot quite get along without human workers. There is a limit to the blackmail obtainable and therefore to the market-value of blackmailing rights, in other words of fictitious wealth. Beyond this limit it cannot increase; the law of compound interest must become inoperative at this point. This is the reason why such mathematical results as the immense wealth obtained by the capitalisation of a penny since the time of Christ remain only theoretical playthings of no practical value. Bankruptcy of the debtor is the limiting point at which compound interest multiplications will have to stop. The inability to pay more rent is the limit and the only limit to the rise of rent, to the increase of the unearned increment, and as rent forms the greatest part of spurious interest, we here find the limit of compound interest multiplications.

The one great difference between *spurious and real interest*, its child, is that the point, at which the limit of the multiplication is reached, is arrived at much sooner by the child than by the mother and that where spurious interest only has to slacken its progress, the real dies altogether with the real wealth from which it is obtained. The bankruptcy of the real-wealth-user generally entails a destruction, or at least a depreciation of wealth, whereas that of the "tributee" of fictitious wealth in most cases leaves the value of the wealth in question untouched and unharmed.

A machine will soon lose its value after it has gone out of use, whereas land rather improves if let alone for a time and if one tenant is ruined another steps into his shoes, or if one taxpayer becomes a bankrupt and can no more pay his taxes, others will do so in his place and the value of the government-bond the interest of which is paid by the taxes is not impaired thereby. The natural consequences of this state of things are that real capital very rarely accumulates in the hands of the same family by means of its own power of increase through interest. The ever increasing danger,



caused by the accumulation of fictitious wealth in the hands of a few families, in most cases attaches itself to real wealth and ruins its owners, whereas spurious wealth, being protected by the whole power of the state and based on the indestructibility of land and the impossibility of living without it, not only enables its owners to maintain their position, but to crystallise the flying splinters of destroyed real fortunes around the indestructible nucleus of monopoly and thus to continually intensify the causes of ruin. It is not only the relative increase of spurious wealth, which offers an ever deepening danger to our civilisation, but it is the fact that these increasing fortunes by their very nature must always condense in fewer and fewer hands, which renders the impending danger so imminent. I say "by their very nature" for the working of the compound interest force resembles that which causes larger cosmic bodies to attract and incorporate smaller ones.

Smaller fortunes are subject to the disintegrating force of division by inheritance, want of caution, or prodigality of heirs; fortunes like those of the Rothschilds do not need entail to keep from dissipation. Interest has an accumulating power exceeding that of all these disintegrating forces.

In one generation such a fortune will increase three or four fold, whereas on the average such rich people only have two or three children, so that in spite of division each successor is bound to become richer than his father. The greatest waste will not prevent it, for what does it matter if a Vanderbilt spends 200,000 dollars for an evening party, a waste, compared with which the lavishness of a Lucullus or a Crassus dwindles into nothing, and of which the whole press spoke in tones of amazement? It is nothing but the income of half a week. The greatest stupidity will not be in the way, if only the family traditions are observed, of not investing in real wealth, but always sticking to fictitious capital. If the children of real capitalists do that, the whole power of the State will take care of the preservation and multiplication of their fortunes; the whole activity of the community will be at work to accumulate for them. Let labourers starve, let the gaunt figures of misery and death stride about and make fearful havoc among the working population, it will not

matter, their fortunes are bound to increase. Mathematics will fight for them. Though the self-increase of interest cannot take place indefinitely and though bankruptcy will have to put a stop to it finally, this destructive force will first disintegrate the smaller capitals, especially the real ones, before it finally reaches the larger spurious fortunes in the general crash. They are like a powerful tree, growing on a limited piece of ground large enough when the tree was small but getting more insufficient as it grows in size. Its powerful vitality makes it suck from the soil all the nutriment there is in it, so that all other vegetation round it has to die; but finally it, too, will be destroyed by the very strength of its assimilating powers and vital growth.

We have seen now, how the unearned increment is nothing but one of the roots of the capitalistic tree, one of the feeders by which the vital power of compound interest is sucking the lifeblood out of the social body and that it is impossible to get a real perception of the true nature of the economical process going on before our eyes, as long as the real relations between rent and interest, between land and capital are not understood. If George, in spite of his deficiency in this respect has been able to gain such a great number of adherents in the United States, as well as in Great Britain and her colonies, it is to be ascribed to the fact that in these countries the direct effects of land monopoly are so distinct and clear, that his powerful eloquence could easily make his followers tide over the more complicated and seemingly less important and urgent problems of capital and interest. It is different on the European continent, and land-nationalisation would never have made any headway, if it had not been possible to show up the errors of the great American leader and to approach the fort landlordism from another side, from that of capitalism based on landlordism.

### Urgent Political Reforms.

Land robbery forms such a prominent feature in American social problems, that it is no wonder that Socialists are few when compared with George's single tax-men. It is different on the continent of Europe. In Germany the Socialist vote at the last elections amounted to 1,420,000,

thus proving socialists the strongest German party, which would have elected 80 members, if a correct system of representation existed, if representation was given in proportion to the total of votes in the country, not according to accidental results in single constituencies. Under the present electoral system a party could have a two thirds majority in any one of the modern states, if the total of votes were considered and yet only get one third of the representatives. It would be different if the minorities got the right of representation now denied to them, which could be done by summing up the total of votes polled by each party, and awarding a representative to each fraction of votes corresponding to the figure obtained by dividing the total of all votes given with the number of representatives to be elected. Of course those representatives of each party would be declared elected, who polled the greatest number of votes of the party's candidates, even if in their constituency the antagonist had polled a heavier vote. I have taken occasion to point out the necessity of a reform in this direction, for every political reform, which gives us a better expression of the people's wishes, has a social importance. As we cannot hope to obtain reform from the classes, who, though they may be better educated, have always made use of their power to press forward their own claims and to obtain privileges for themselves, we have to do all in our power to avoid falsifying public opinion by artificial hindrances. For this reason I also think, that the referendum is one of the reforms most urgently required in all our constitutional governments. It is a reform, which would make it impossible for a parliamentary majority elected in a moment of public delusion and no longer representing the real wishes of the people, to pass measures hostile to the majority of the nation. In Switzerland, the only country possessing the referendum, such a proceeding is impossible, for a certain number of citizens can always demand that a law be submitted to the vote of the whole nation, before it becomes definitive. The referendum may sometimes have vetoed a law, which had better been adopted, but it will not do to make laws in advance of public opinion. It is always best to wait till the people have been educated up to them.

**Indirect Effects of Land-Nationalisation most Important.**

Though Socialists are not numerous in England as yet, they are making rapid headway, and no real social reform has any chance, which does not reckon with them. Hence it is of great importance even in England, that land nationalisation should fight its way with weapons forged of the steel of real truth. If false alloys are mixed in, they will break at the first fight with a worthy antagonist. Henry George had the best occasion to find this out in the debate he had with the Socialist, Mr. Hyndman, in the summer of 1889. In the opinion of impartial judges it was certainly our own leader who came off second best. It was no use advancing the theory that when labour could get hold of the land, it would cease to press into the towns, competing for industrial situations and forcing down wages, one of Henry George's favourite arguments. Mr. Hyndman had only to show that naked labour without the help of capital could not compete with capital even in agriculture, and therefore could not pay as high rents as capital; that much less could it hold its own against capital in manufactures, where unaided labour becomes more powerless from day to day. It was no wonder the socialist could not see how taxing away rent and relieving labour of other taxes would solve such fundamental difficulties. Henry George could not answer, in the only way in which a satisfactory answer was possible, by showing how the privileges of capital in one form follow those in another, how the capital to which Mr. Hyndman and his friends attach such importance: real capital would be freely accessible to labour, as soon as its dangerous enemy, spurious capital, fell with private land-ownership. Henry George could not give such an answer; because, though he was very near the truth in the fourth chapter of his third book, which treats of spurious capital, he did not see the whole cat—to use a favourite expression of his friends—and by maintaining the right of capital to claim interest, he undermined the whole of his position in a hopeless manner.

It is human nature to judge of the whole by its parts. As people very often base their judgments of national character on the personal character of a few individuals with whom

they accidentally became acquainted, so if we stumble upon flagrant errors in a book, we are very apt to distrust even the truths it contains, though they appear ever so incontrovertible. "The author has been mistaken in that other point, so he may be in this, though my knowledge does not go far enough, to prove it. Others, who are more competent will certainly do so," must be the way in which such books are accepted; and such has been the fate of "Progress and Poverty" with a great many readers, whose assistance would have been of immense benefit to the cause, because they belong to the thinking part of the community, who do not accept a theory, because it is popular, but because they have become convinced of its truth.

I am confident, therefore, that even in England it will be of a great help to the cause, if it can be proved that the indirect effects of land-nationalisation on capital and interest are the most important ones. The comprehension of these is the more valuable, as it leads us to see, how easily a peaceful purchase of existing rights can be accomplished, without burdening the people, because the sinking of interest on one side and the rising of rent on the other, would soon pay for the land by redeeming the bonds issued for its purchase.

"Taxing out the landlords" is only another name for confiscation, and as far as I can judge of the English character, with its veneration for historical rights, I think it highly improbable that such a rough and ready way of settling the question will find general favour. I shall return to this part of the subject in the next chapter. For the present I shall have to go into the indirect effects of land-nationalisation.

Gradually the spurious capital begins to disappear, because land can no longer be purchased in the market, and the bonds paid for it as well as the existing government debts are rapidly being redeemed through the profits made by the state in virtue of the increasing rent she receives and the decreasing interest she pays off. Their gradual liquidation will soon be followed by the purchase of railroads and other monopolies of a valuable nature. When in this way the spurious capital begins to disappear, the savings of real and spurious capitalists have to look to real capital for investments. This will quickly bring down its interest, which is always



much higher than that of the spurious capital, because of the *element of risk*.

### Low Interests beneficial to Labour.

People, who are not in business have no idea how great the difference between the two kinds of interest is. The lower interest proper, the higher we find real interest paid in business life, if no security of spurious capital can be furnished, or of such kinds of real capital, as in consequence of their more intimate connection with spurious capital, enjoy some of its monopoly value, as houses in desirable situations, certain raw materials of urgent necessity, viz., wheat, pig iron, timber, etc., which in consequence of their relatively limited production are always saleable. In most cases workers cannot find the capital they need to do business on their own account at any price, even if they should offer 50 per cent. interest. In Germany it is quite usual to get cash discount of two, three and even five per cent. on goods sold on three months credit, which means that sellers are willing to pay interest up to 20 per cent. to have the use of their money a few months earlier. As low interest proper is a sign of commercial depression, high interest proper one of commercial activity, and as commercial risks are greater in times of depression than in those of activity, as a natural consequence *the premium of risk, and therefore the real interest paid by borrowers of real capital will rise when interest proper, i.e., the interest of spurious capital is low, and vice versa*. I have shown in the preceding chapter that we here find the cause why wages are low, when interest proper is low, and high when it is high, a fact by which Henry George was led into his error of proclaiming the identity of interest between capital and labour. An error of this kind would have been impossible, if there existed only one kind of capital: the real, so that the rate of interest would indicate the rate at which real capital could be borrowed, instead of only indicating the rate of spurious interest. The fact is, that when once in consequence of land nationalisation spurious capital has disappeared from the market, a low rate of interest will really be the sign of the very opposite state of things it indicates to-day. Instead of being the expression of commercial depression it will be a sign of activity; instead



of being a proof of low wages it will be co-existent with high wages in every department of work, high wages of enterprise and supervision as well as high wages of manual labour. Wherever workmen find it easy to get capital, with which they can start work on their own account at a time of good business prospects, they will not work for employers, unless they earn at least as much as they can make on their own account. The employer will have to pay them as much as they would earn if they were working in a co-operative factory, which they can easily start, as capital will be glad to offer itself to united workers of good credit and joint responsibility, even if it got no interest at all beyond a low risk premium (insurance). Employers can only exist in this case, if their superior capacity of organisation and supervision leaves them a special profit. They may make more than the salary they would receive as managers of co-operative works; but so does the worker at piecework compared with the time-worker. It is no loss to the employer if a pieceworker earns double wages, for his goods do not cost any more for that, and so it is no loss to the workers if managers on piecework, as we may designate those who work on their own account, gain more than those on timework, *i.e.*, the managers engaged at a salary.

### Do High Wages Benefit the Worker ?

There is such a wide-spread ignorance of economic truth, even among those who pretend to know all about it, that it appears necessary to explain facts which ought to seem self-evident to everyone who looks at such things with clear unbiassed eyes. For this reason I shall have to show, that *high wages are a beneficial thing* for the workers as well as for the whole community. I beg your pardon, my poor ignorant socialist labourer, if I have to appear a little ridiculous in your eyes, by thinking it necessary to prove such a self evident case. I know it is self-evident to you and to anyone who has got an inkling of the natural relation of things; but it does not appear at all so self-evident to those half educated men, who write in newspapers, magazines and even in books, who, having obtained a little smattering of economic knowledge think they are omniscient, and in their supercilious way show

us social reformers what asses we are if we think to improve the workers fate by raising their wages ; for do not prices rise in proportion to wages and will not therefore the purchasing power of wages decrease in exact proportion to their money increase ? And supposing even the rise was real, would it not result in more drunkenness ? Does not the liquor bill of the United Kingdom exceed the amount of the whole rental ?

Let us first consider the question of earnings, and then the way they are spent or will be spent ; for if there is to be no real increase of incomes we need not worry our heads as to the way of spending them. If wages were the only component of prices, there would be no answer to arguments of this kind. Every rise of wages would certainly carry also a correspondent rise of prices ; but wages only form one of the components of prices and that not even the most important. They only account for one fifth of the retail price of goods. I do not think it worth while to enter into the special calculations of different kinds, by which jointly with others, I arrive at this estimate, for it is immaterial whether we assume only a fifth or as much as 40 per cent., which, if my memory is correct, is the optimistic figure resulting from Mr. Giffen's statistics. Even if this highest of all estimates were right—and it may be right, if Mr. Giffen in his figures of national income takes goods at wholesale prices, whereas I take their retail price as that which we have to take into consideration when we speak of the prices paid by the workers—and even if it was meant in relation to retail prices, wages could be increased without proportionately increasing their purchasing power, if we only do not raise those 60 per cent. which help to make up prices. Supposing that wages treble, it would bring their part of P. (price) to 120 from 40. Adding 60, P would be 180 and wages would have increased to 66 2-3 per cent. of P from 40 per cent. an increase of two thirds. If we take the estimate which I think to be the correct one of the fifth as the real share of wages, we arrive at the figures of 60 for W. (wages) and 140 for P, which means that though wages have not really trebled in purchasing power, when they treble in money value, they have anyhow more than doubled. But this by no means gives the full extent of the advantages reaped by labour ; for our assumption that the other partners

keep the same amount they now obtain will prove an erroneous one.

As I have already indicated in the last chapter, the lion's share of this immense amount deducted from the gross of production is dissipated by waste in the exchange of products, or in other words in their sale.

### Waste in Distribution.

We have here arrived at a most important question. Even the blind, even those who are not in the least familiar with economic questions, see clearly, that there is an immense waste going on in the work of exchange or sale of products. We have only to look round us in any of the streets of our towns to become impressed with this fact. In a single street we find a dozen grocery stores, where one could very well do the trade without more than doubling its expenses and the labour employed. Nine tenths of both are waste. But the waste does not stop here. The grocer does not get his goods from the producer; a great many middle men come between.

Most of them are superfluous, most of their work and their expenses are waste. John Stuart Mill calculated as long ago as 1851 that nine tenths of English merchants were superfluous, that one tenth could do the work required. But the waste does not stop even here. The greater the competition, the greater must be the efforts of each competitor to beat the other in the battle of life. Each tries to find a new and better way. A time was when once in a year the greater producers used to come to a centrally located place where those who undertook to sell their products to the public met them and gave their orders. At a later time another middle class interposed between producer and consumer; merchants met the producers at the marts, and they sold to shopkeepers. These marts or fairs gradually lost their signification and degenerated into insignificant local affairs. Only a few remained and these are rapidly losing their importance. (Leipsic, Francfort. o.) Only one can give us a feeble idea what these ancient fairs have been for trade: the fair of Nishnij—Nowgorod in Russia. A barbarous nation, the greater part of which is yet in the state in which middle Europe was in the middle ages preserves an institution which

in such a state of civilisation answers its purpose. Only in such a state? Is it so sure, that our present system is a better one, that it denotes a progress of civilisation? Can it be a progress, if each producer sends one or more commercial travellers to the merchants of the country and that each merchant sends a still greater number of commercial travellers to the shopkeepers of a section or of the whole country, instead of having buyers and sellers meet once or twice a year in certain places? Instead of having to pay only for one journey and wasting one week's time, each has to pay the travelling expenses of one or more special men, for the most part not half as capable as himself, all the year round. If the shopkeepers do not displace themselves, they have to pay for the travelling expenses of the others in the price of goods and the time wasted. To get rid of all the commercial travellers all the year round, to look at their samples, to listen to their eloquence in the end costs them so much labour, that they would prefer to meet the different producers or merchants together in the same place, where they could talk to the principals and make comparison of samples and prices in a much better way than at present between those of travellers, who visit them at different periods.

No certainly, this is no progress and if I said that the great fair of Nishnij-Nowgorod corresponds to a former state of civilisation, can I really mean that our present system is an advance on this primitive one? No, I do not mean this; on the contrary, I think, that we have retrograded. There can be no doubt, that the old system was a better one and that an immense saving of labour and expense would result from its re-adoption. But what would be the consequence? I have indicated it already in the last chapter. All those hundreds of thousands who at present find employment as commercial travellers, would be out of work. Others, who get work through them as railroad employès, hotel keepers, hack drivers, trunk makers, etc., would find a decrease of their work, and would see a certain number among their ranks out of employment. It would be much worse yet, if a thorough reform took place, if central bazaars were organised, doing their business with the greatest economy, purchasing

from certain producers, who being fully employed by a certain number of bazaars do not need to trouble themselves about the sale of their goods. Transportation would be saved to a great extent, as the bazaars could buy from those producers nearest to them, and in course of time producers would so group themselves that they would find themselves in the centre of the different bazaars they were providing with their products. What an immense saving in shops, in lighting and heating, in people engaged in them, in railroad work, in advertisements, and consequently printers and other workers, such a reform would bring about! And as a natural consequence how many more would be out of work, how much greater would be the army of the unemployed! Why? Because the progress of our civilisation has enabled us to get along without their work in productive occupations, machines having taken their place. In uncivilised countries, like Russia, such reforms might do less harm, as machines have not yet done their work to such an extent, and consequently they may, for the time being, continue to enjoy the advantages of great fairs and save travelling and travellers' expenses. A civilised country cannot afford such things. As long as we have not the great fundamental reform, which will make reforms of any kind in the work of production and exchange of goods a real blessing, because it increases the consuming power of the people, in exact proportion to the advance of their productive facilities, by preventing a minority from stepping in between production and consumption—as long as we have not this fundamental reform, all other reforms will only harm instead of benefit us. The more you add to the size and to the contents of a building without foundations, the surer you will hasten its crash. In a world which has been turned topsy turvy by false economic arrangements, only what stands on its head can be considered upright, and what stands in its natural position must by the very nature of things find itself standing on its head. It has become a habit with me, which I have almost invariably found to produce good results, always to decide the advisability of a legislative measure by inverting the result of theoretical examination.

If true economic science teaches that a measure ought to be



adopted, I have every reason to feel certain of its working more or less harm, and if on, the other hand, I know that theory condemns it, I am certain that it will do a great deal of good under present circumstances. Let me illustrate my point by a few examples.

#### Productive work done by paupers and by convicts.

Can there be anything more reasonable than to have those whom society has to feed, to house and to clothe repay such outlay by their work? There can be no doubt that in a natural state of affairs society would reap benefit by such an institution. The work done by paupers and criminals would amply repay the losses entailed by them on society. But what would be the result under the existing unnatural condition of things? A decided increase of social misery. Over-production would be growing to an enormous extent, if those millions who are eating the bread of charity or who are maintained by our prison administrations were to produce goods, without in the least increasing consumption. The complaints of free labour against convict labour are perfectly justified under present circumstances. At a time when millions of workers have to go without regular work, millions more will swell their ranks, if those who are kept from productive work by poor-laws and prison authorities become producers without consuming more than they do under present circumstances. *For every pauper and convict turned into a producer a free and honest worker will have to become a pauper or a criminal.* The final result would be socialism attained through pauperisation and criminality.

#### Militarism.

Can there be anything more antagonistic to all common sense than the spectacle offered by our standing armies? Three million of healthy and strong men, the very strongest and healthiest in fact, are kept from productive work all the year round. The taxpayers are forced to feed them in order to enable them to march forward and backward, shouldering and presenting arms, wasting powder and lead by shooting-exercise, or worse yet to enable them to go to work and destroy life and wealth in bloody warfare.



Granted; but let us suppose our peace societies have become successful in their efforts. Let us suppose that the sword has been turned into the ploughshare, the lazy soldier into the active workman, and that universal peace reigned over this earth at last. Under natural circumstances we should have an immense increase of prosperity. Those millions would produce wealth, and hundreds of thousands who are now busy in manufacturing implements of destruction would go to work and increase the capital stock of the world. What would be the result of such desirable reforms under present circumstances? *A decided increase of social misery. For every one of those three million soldiers or those makers of guns, powder, swords, warships, who will get productive work, a worker who now attends to it, will have to leave off work,* as those millions will not consume any more than they do now. The average consumption of a soldier, obtained by dividing the amount spent for the army and navy by the number of soldiers and marines, is not as large as the average expenditure of a civilian of the same class. If the national consumption does not increase through the dismissal of our armies, the demand for goods in the markets of the world cannot increase either, and in consequence it will be impossible to employ the millions of new workers without taking away a proportionate amount of work from the old ones. Pauperism and crime will have to fill the gap made by the absence of militarism. On the other hand universal peace, doing away with the waste of war, will stop an important outlet for our superfluous production. Destructive wars form one of the most important palliatives we possess against the terrible social disease we are suffering under, the external symptoms of which are exhibited by overstocking of markets and want of employment. This is the reason why after great wars we always experience a renewal of commercial activity, even if the depression during the war has not been greater than the depression before it began. Things have come to such a pass that business men all over the world look at wars, if only they do not involve their own country, as blessings, which a poor overstocked merchant ought to be very thankful for. I know they do not say so publicly, and their press organs are duly praising the blessings of peace with a grateful upturning of their eyes,

but I know what is said behind the scenes, for during thirty years I have been an initiated member of Mercury's Limited Stock Company, called the commercial community. If this had not been so, if I belonged to that learned clique, which the world over have monopolised economic and social science, I should speak differently. I should praise the beneficial effects of peace ; I should curse the destructive tendencies of war ; I should declaim against the waste of militarism ; I should expect universal prosperity from general disarmament ; I should do all this, and I should be as great a liar as they are under the existing state of things.

### Temperance and Economy.

How many millions could be saved, if that terrible vice intemperance could be gotten rid of ! How many good workmen could be saved from sickness and death, could use their sinews and brains in the beneficial work of wealth production, instead of falling under the ghostly embrace of demon Alcohol ! Let us suppose they kept out of temptation : let us suppose that our temperance societies scored a world-wide victory amidst universal pledge takings, and what is more, pledge keepings ; what would be the consequence under present circumstances ? An immense increase of misery. If a limited number of workers leave off drink and begin to save, it will certainly benefit them, even in the present state of things, but if all do so, wages will be pressed down in proportion to the saving effected, because the army of the unemployed will be able to underbid their brethren to the lower margin to which their abstinence will allow them to descend. Under present circumstances the iron law of wages, proclaimed by Ricardo, holds good, whatever some economists may say against it. Nay, we may even go further and say that this terrible law has made room for one much more fearful. If it be no longer true, that wages have the tendency always to reach the lowest margin prescribed by the minimum, which is absolutely necessary for the maintenance of existence according to the standard of life obtaining in the locality at a given period, and for raising offspring, it is false in a sense not meant by those who deny the doctrine. It is true, because wages no more maintain this minimum line ; they

are rapidly descending below it. As semi-starvation is preferable to starvation so the unemployed rather than starve altogether will accept wages which permit them and their children to die a little more slowly than before. The iron law of wages, except in exceptional cases where trade-unions have been successful in raising wages, can only be denied on the ground that it has turned into a steel law. Temperance and economy under present circumstances will only help to further reduce consumption, and in consequence, opportunities for work. All those millions who are now employed in the liquor traffic would lose their work without having a chance of obtaining an equivalent in another department of production, because *the final result would be a proportionate reduction of wages*, which render the replacing of the displaced consumption by another impossible.

### Free Trade.

What could be more reasonable than to put aside those artificial fetters to international exchange, clasped around the wrists of labour in the shape of custom houses by protective laws? Is it not ridiculous to dig tunnels, to build new railroad lines and canals for the purpose of a better and cheaper connection between different countries and to erect custom houses at the ends of these tunnels, railroads and canals to outweigh the advantage afforded by them through import duties?

If it is an acknowledged fact that the different sections of a country profit by the free intercourse it affords, why does not the same law hold good between different countries?

Free trade certainly increases production and for this very reason protectionists understand much better the needs of the age, when in a time of overproduction they denounce the heresy of free trade. Anything which hampers trade, which makes more work and produces less at the same time, must, alleviate the evil we are suffering under. George is perfectly correct, when he says, that we might just as well pass a law to protect our manufacturers, by which we order a ship to go twice round the globe before we allow it to land, as levy protective duties. I even go further in saying that such a

system would be much preferable, because it would create a great deal more waste than custom-houses; and waste is our best friend under present circumstances, without which we should arrive much more rapidly at a catastrophe.

Treating the problem from a national point of view, the question statesmen have to solve, under the actual state of things, is whether in the general scramble for buyers the trade of a nation will benefit by free trade or by protection, whether the balance of trade will improve more in one way or the other; for it is self evident, that in a world in which a continually widening gulf between the producing power and the purchasing capacity of the people increases the difficulty of finding work in an accelerating proportion, those individuals and nations must be best off in the battle of life, who succeed in securing the greatest number of purchasers at the expense of less fortunate competitors.

I know that this balance of trade policy is hooted at by free traders, who proclaim the theory that goods will buy goods and therefore that the more a nation imports the more will it export. There never was a greater fallacy. It is just as little true that goods buy goods, as it is true, that our millionaires spend their incomes in giving employment to workers. There is such a thing as international indebtedness, as well as private indebtedness. A nation may buy goods from another by running into debt to the foreigner, without getting a chance of paying in goods of her own make. The amount of British capital invested all over the world is estimated at £2,500,000,000. Does this enormous indebtedness of other nations to England not prove that they did not export as much to England as they imported thence? Such international indebtedness signifies yet something else. It means that besides the increasing tributes paid to the national millionaires further tributes have to be paid to the foreign ones, tributes which they only partly levy in products or work but which mostly serve to increase their tribute levying and, consequently, work depriving power.

George in his last book '*Free Trade and Protection*' gives us the simile of Crusoe on his island, as being warned by a protectionist against the importation of cheap goods brought by a merchantman. The man tells Robinson that such impor-

tation will deprive him of work, upon which the islander replies that he does not want work, but goods, and if he can get these goods with less work, he certainly prefers to buy them rather than to manufacture them himself.

There can be no objection to Robinson's reasoning, if the merchant is willing to take hides, furs and other produce of the island in payment, and in case he will not take these, if R. does not buy his goods; but let us suppose, that he does not want any of Robinson's goods, being provided with, or having no sale for them, or that he is willing to take these goods even if R. does not buy of him. In the first case the latter would have to run into debt and finally would become a dependent interest or rent slave of the foreigner. He would be forced to work for a continually increasing tribute and yet find an ever growing difficulty of getting work, if the creditor did not need his products. Finally he would have to mortgage and sell the island and there would be no work for him on it, if others did this work cheaper, and in such manner as to give satisfaction. In the second case he would become the creditor of the foreigner, would get interest from him, which, if things continued in the same way, would finally allow him to live without work. His economy and hard work, which allowed him to get along with the goods made on the island, though the foreigner could have made them for him with less expense of labour, in the end would enable him to force the foreigner to work for him and his descendants to all eternity, supplying all the goods he and they might need, without having to do a stroke of work or to deliver a piece of goods in return. He would simply live on his income from the interest due to him.

Is it any different if we substitute a nation for this individual islander? Is it less true, that he who saves by selling as much as possible and buying a little as he can, will be better off, than he who spends what he earns, or, worse yet, runs into debt, by buying more than he can sell?

It is all very well to contend that division of labour, whether carried through nationally or internationally, is a blessing and that it is a retrograde movement to go back to the old system of making things ourselves, which others could make much better for us. We pride ourselves on the development of



technical science, of transportation facilities, which made us give up the old system for the new. This is all very well; but it presupposes free mutual exchange. The moment this is interrupted, as it is by the effects of capitalism, the very reverse takes place. We do not want to economise work, we want to make work. The unnatural state of things we live under has turned everything topsy turvy. Thus when we find continental peasants spinning their own flax and weaving their own yarns we cannot blame them, though such work shows an enormous waste of power, as a spinning machine enables a single girl to do the work of a thousand hand-spinners and a power loom enables one man to do the work of a hundred, and yet, I repeat, we cannot blame these people. To purchase the product of Manchester they have to sell something they can produce to better advantage than these goods; but if nobody wants to buy, how can they get the means wherewith to pay the dealer in Manchester goods? Having no paying employment for their labour, is it not better to make their own linen, even though it cost them a thousand times as much labour as it costs in the steam mill?

As it is between individuals so it is between those aggregations of individuals, called nations. We certainly shall think it a foolish thing if the West Indians produce ice with ice-machines instead of buying it from the Canadians and we shall think it no less ridiculous if the Canadians go to work raising pine-apples in hothouses, instead of ordering them from the West Indies. A mutual exchange between the two countries, the one sending pineapples, and taking back ice would certainly save an immense amount of labour to both; but suppose that the West Indies instead of ordering ice from Canada get it from Norway, will not the Canadians find it to their advantage to employ their unoccupied iceworkers in hothouses raising pineapples, rather than let them lie idle in poorhouses while at the same time they run into debt for the West Indian pineapples? And is it not better for unoccupied West Indian pineapple raisers to make artificial ice, if nobody is willing to furnish them with ice against pineapples? All the arguments brought against the balance of trade theories by free traders are nothing but sophisms. They ridicule the theory by making out that according to it a cargo of rice



leaving New Orleans and getting lost by foundering ought to be of a greater advantage to the exporting country than if it had remained in port, for does it not increase exports? A cargo of imported tools getting lost on its way ought to be of equal benefit, for does not the shipwreck providentially help to diminish imports? Such arguments leave out of consideration the fact that export figures are not or ought not to be counted until the exported goods are paid for, or at any rate until payment is assured, and that imports have to be counted in the national balance sheet, as soon as they are paid for or have to be paid for, independent of their arriving or getting lost. Looking at the question in this way, we find that the rice cargo no more counts among exports—if they are estimated correctly—than if the rice had been burnt in the storehouse of the New Orleans docks, and that the tools, if they have been bought by an American merchant have to figure among imports in the balance sheet, because they have to be paid for just as if they had arrived in good order, the risks of transportation generally being charged to the buyer. National wealth will have decreased by the amount of the destroyed goods and the balance of trade will be affected just as much as if both ships had arrived in their ports.

The argument, against a favourable balance of trade, that the value of the imported article has to exceed that of the one given in exchange, as otherwise there would be no profit, and that therefore by the very nature of the case a healthy trade implies the excess of imports over exports is based on a similar fallacy; for the value of export figures is based on the price received from the buyer and the value of the imported goods is based on the price paid by the importer. Though a profit may be made, even when the imported goods cost more than the exported ones realise,—because the former are worth more and the latter cost less,—debts can only be avoided, if the cost price of imports is balanced by the proceeds of exports.

*Is the author a protectionist?* the reader will now ask—a very natural question in the time of party divisions enclosing men and opinions in classified and labelled cases like specimens in a collection. I am sorry for the inconvenience I am causing; but I decidedly have to refuse to be classified.

If asked whether I think rain or sunshine more advantageous to agriculture, I shall decline committing myself; but reserve the right to decide according to circumstances. I am neither protectionist, nor free-trader. I am for free-trade under natural relations of production and consumption as well as of nations. I am a most decided champion of as favourable a balance of trade as can be obtained under the circumstances, never mind whether protection or free-trade will attain the object.

If England thinks that by adopting protective tariffs, she loses more in exportation than she gains in preventing importation, my opinion is that she ought to adopt free-trade; if the benefit was the other way, protection would do her more good. If she can put duties on some goods without giving up a proportionate exportation of others, she ought to do so. For instance, I am not at all frightened by the small-loaf spectre from thinking and saying that in my opinion a duty on corn would just now attain such a beneficial result. It may reconvert into cornfields millions of acres lying idle or serving as pastures, and thousands of workers would find employment on the fields who now depress industrial wages through their competition. The relief of the labour-market thus obtained will increase the amount of wages much more than their purchasing power would decrease through the slight rise in corn prices. It would not decrease exports, for neither Americans, nor Russians buy English goods, because the English buy their wheat; but because they are cheaper than those offered by other nations. The decrease of corn importation would probably not decrease the exportation of manufactures to a very noticeable extent, for even if the purchasing power of the Russian and American farmers decreased in consequence this would only very slightly affect English commerce, because English goods form only a very small portion of the present consumption of these farmers, whereas the consumption of the English farmer and agricultural labourer consists almost exclusively in home products.

America and Russia might realise that the sword of protection cuts two ways. If other European nations, for example, joined England, they might be able to force those two great countries into entering into treaties of commerce with them.

by which the present protective duties on industrial products would be lowered, so as to increase English industrial exportation and give employment to the labour driven from the soil by agricultural imports.

### Industry.

The praise of industry sounds from every pulpit, is dinned into our ears by millions of leaden soldiers from the type-foundry regiment, leaving the impress of their footsteps on millions of tons of paper which go forth as dailies, periodicals, or books. How strange, that we find a growing fear of industrious workers, and that we do our best to send them out of the country or to prevent their getting in. Emigration societies, laws against the immigration of foreign workers are enacted or demanded. The rich drone is welcomed everywhere, and glowing advertisements set forth in rose colours the advantage of different towns in order to attract them, whereas workers are warned off in every possible way. It is a natural result of the unnatural state of things we live under, for consumers are wanted and producers shunned in a world in which the purchasing power of the masses lags more and more behind their producing capacity.

### A better Organisation of Production and Exchange.

What greater blessing can there be than labour-saving machines? What greater bane under present circumstances than the invention of better machines or modes of productions increasing our productive power without at the same time proportionately increasing our consumption, because a surfeited minority reaps the main benefit of the increase in production? I have already shown how a better organisation of exchange would only harm us, how the organisation of immense co-operative stores all over the country, diminishing the waste in the present modes of exchange between producers and consumers, would only enable the capitalist minority to supply their wants more cheaply and in consequence to save more, thus increasing their tribute rights, whereas millions of people employed in mercantile business would loose their occupations and consequently their purchasing power. In the age of reform these would

## THE EFFECTS OF THE REMEDY.

find employment in production and the power thus saved would benefit everybody; *in our time they would only swell the ranks of the employed and help to depress wages and the purchasing power of the masses.*

### Cheaper Government.

*The dismissed employés would only decrease consumption and depress wages.*

### Poisons Sometimes Remedies.

Enough. I think, I have shown satisfactorily that all our ideas of right and wrong have completely changed. If we still hypocritically proclaim the old teachings of morality and the fitness of things, our practical code has long since completely changed to the very reverse of what we preach.

Poisons may become remedies in cases of disease and what is poison to the social organisation in times of health may be a remedy, or at any rate a palliative in time of social disturbance. In nature there seems to exist a law, which might be called *the law of parasitism*. Parasite is killed by parasite. A noxious insect multiplies to an enormous degree; it would soon destroy all vegetation; but another little insect appears and lays its eggs in the larvae of the destructive little animal. The larva grows; but it is only to feed the enemy encamped in its very life-blood and finally it is he who makes his appearance from the empty shell of the larvae.

Another smaller insect in turn plays the same part with him to prevent his undue multiplication, and so forth. This parasite-law finds its application in the social organism as well. The parasite "capitalism" raised from the caterpillar "rent" and the larva "interest" would destroy the social organism much faster, if those different parasites which I have been enumerating: militarism, waste in exchange, bad government, intemperance and want of thrift, protection, etc., were not all the time doing their best to tap the life-blood of the ogre, so that his growth gets somewhat retarded.

### Effects of a Return to Nature.

All this will completely change, after the social body has returned to its natural health by discarding the parasite

which is eating away its life-blood. All the other smaller parasites can now safely be killed, will even die of inanition through want of food. When the artificial obstacles, which capitalism has interposed between production and consumption, are put out of the way, when plenty of work in every department of production has raised wages by making one employer look out for two workmen, instead of two workmen seeking one employer, there will be such an immense increase of production, that gradually all those forces now wasted in the different ways described will be turned to productive work. This will not take place in a day, of course. We shall not see all of a sudden every shopkeeper liquidate business and engage in productive work ; but we shall find the rising generation keep away from less remunerative occupations and turn to the better paying ones. If our boys overcrowd the liberal and mercantile professions, if we see them fight for government offices, it is not because they dislike manual work ; but because it does not pay, or is too difficult to obtain. Let there be plenty of well-paid work in the trades and we shall soon see the current turn in their direction. We shall gradually accomplish in this way a reduction of waste. Slowly but surely we shall see a better organisation of mercantile work. Large bazaars will take the place of hundreds of small shops, and manufacturers will contract with them directly, saving travelling, advertisements and other expenses of a similar nature. Whereas now on an average 100 per cent. are added to the cost price of goods, before they reach the consumer, less than one tenth of this amount will pay for all the work of exchange. All the immense savings thus made will go to labour, will raise wages. The disappearance of interest will add another item to the balance turned over to labour. Rent will remain, but going into the coffers of the state it will take off all present taxes and still leave a balance either for distribution, or better yet to be spent for the common benefit of all citizens. Even if no further improvements in the arts of production were made, the savings here mentioned would by themselves treble wages.

Let us now consider for one moment what trebling of wages really means.



Counting only 8 million workers in the United Kingdom, and assuming one pound a week to represent present wages and salaries, a trebling of this amount would increase the yearly income of the lower and middle classes to the amount of £800,000,000 beyond present figures. All this income would be consumed sooner or later. For that part which is saved other parts formerly saved will be consumed, as our present system of so-called saving (in reality a system only of increasing the power to blackmail our fellow man,) will have given place to real saving of unconsumed wealth. Just imagine what an increase of consumption and consequently of production 800 million pounds yearly represent ! There will be no more want of work but of workers in any department of labour, for human wants never cease, and if one of them is satisfied new ones will appear. Human ingenuity will increase working facilities to an extent now undreamed of. All the immense increase of productive power thus generated will no longer benefit monopolists alone, enabling them to increase the weight of the chains with which they weigh down labour ; but will result in a proportionate increase of wages and rent. Rent being common property will be only another form of wages. It will constitute a wage fund, not distributed but employed for the benefit of all workers collectively. They would reap greater benefit by such collective enjoyment than if each had to spend his share personally. Free means of transportation, free museums, free theatres, free schools, free universities, free concerts, and perhaps free lighting and heating and such like, would afford so many different modes of collective enjoyment of wealth, which individuals could never secure in equal quality and cheapness by their private exertions. All such investments of the public rental income would help to increase this income, and thus enable the community further and further to increase public improvements to an extent now undreamed of, every improvement soon paying for itself through increased rental income.

We are so blinded by habituation to the present state of things, that we are apt to treat as the illusions of a dreamer such a forecast of the possibilities of a world freed from the bane of landlordism and usury, and yet when we look at the



present state of things with unbiassed eyes we shall be astonished to find how much stranger things appear quite natural to us in our time. We see railroads built by private companies paying dividends or none as the case may be. Whether they do, or do not, one thing is certain, viz., that the rents of all land in the neighbourhood of the new road will immediately increase enormously without the landowners doing the least thing towards the building of the road. We call this unearned increment. Miss Helen Taylor said: "Properly speaking it is not unearned. Those who earn it don't get it, and those who get it don't earn it." It is earned by the community; and private parties, who have done nothing towards this earning, but who accidentally are the owners of a certain part of the globe's surface, without the use of which the benefit of the improvement creating the increment cannot be enjoyed, take most of it for their own exclusive use. We think this perfectly natural, because we are so used to it, though in fact, nothing could be more unnatural. The community ought to enjoy what it creates, and it will do so when the ownership of natural opportunities reverts to it. We then shall have the common fund absorbing the increased rental income created by a new railroad, and in most cases we shall find that this increase of income will not only gradually pay for the making of the road—especially after interest has disappeared—but even for its free use by the public. To those who smile at this idea, I recall the fact, that in a great many office-buildings we find elevators running for the free use of the public. We all know, that this is not done by any generous whim of the party who runs the elevator, but that the house owner pays these expenses out of his own pocket, because he knows he gets his money back with interest from the parties who rent his rooms. They willingly pay for the facility of getting to their rooms. Not only is it easier for them to get there, but people will come and see them, who would keep away if they had to climb so many flights of stairs. Many customers would be lost, or not won, if the elevator did not run. Is there a difference between a railroad and an elevator? The one performs in a vertical direction what the other does in a horizontal. Whether it is a room rendered easier of

access, by riding up towards it, or by riding horizontally towards it, is the same. The owner of a house connected by a tramway with the centre of the town can ask more rent for it, than the owner of one without such accommodations, just as the owner of a room accessible by an elevator gets more rent than one who can offer nothing but a staircase. If the one builds and runs the instrument of communication free of charge why should not the other? Why does he not do it? Because it is impossible to produce a fair agreement between the different owners of occupied and unoccupied land as to the relative advantages reaped by them from the new road and, in consequence, as regards the proportion to be contributed towards building and managing it. In a house we have not this difficulty, because all the rooms belong to the same owner who pays all and recoups himself by increasing the rent of his rooms in proportion as the demand enables him to. Where the whole land of the town belongs to one owner means of communication could be supplied by the landlord without making the users pay for them, as the increased rent obtainable in such a town would amply pay for the outlay. The same principle holds good for any other improvement. If the owner of a house furnishes the heating and lighting, he will be able to get a higher rent and so will the owner of a town who does the same thing.

What holds good in a town will hold good in a whole country. The owner of all the land in it can afford to build and to run a railroad or many railroads, connecting its different parts, without charging for the privilege of their use, because the higher rents he will get will amply repay him. So it will be with all other advantages offered to the tenants. Rents will be higher in a well governed country than in one which offers no security for life and property. Is it unreasonable to ask that those who supply such advantages ought to earn the benefit arising from them? Who supplies them, the landlords or the community? Under our present system the taxes paid by the community at large, of which the land tax forms only a small part, furnish the means for supplying all those inestimable advantages enjoyed by civilised communities, viz.,

protection of life and property, education, and so forth, and the landlords enjoy the benefits of these sacrifices. Under the system of state ownership the community will earn the equivalent of its outlays in increased common incomes. Can there be anything more just? Is it not ridiculous to see cities like Rome, becoming bankrupt, because the debts made for public improvements overwhelm them, whereas in these very same cities landowners have earned untold millions, sums by far exceeding the municipal debts, through these very improvements, which ruined the community, that made them?

#### **Increase of Rent after Land-nationalisation.**

With the advances made by humanity in science and productive facilities not only the earnings of labour will rise in proportion to the productivity of labour; but rent, the common fund, will also increase enormously. But how does this agree with the theory that the more rent rises the more will wages go down? Why is this theory correct to-day and wrong after land nationalisation? The answer is easily given after our investigation of the real nature of the relations between rent and interest. As long as rent is privately owned it forms the base of interest, the foundation of spurious capital, which with the accumulating power of compound interest tends to make a small number of men the owner of this whole earth and of all its rental income. By using a continually diminishing portion of this income for the employment of labour and a growing part for the increase of their tribute rights,—in the prohibition of consumption and production,—they create that well-known state of things, which finds its expression in want of work with its concomitants of low wages and business depression. The very moment rent returns into the possession of the people at large, spurious capital and interest will have their death knell sounded; improvements in production will no longer be the helpmate of capitalism by increasing the rate of progress at which spurious capital and interest are accumulating, but will instead increase the earnings of labour. The greater these earnings are, the greater must be the value of raw materials as a whole and consequently of land, the source from

which they are taken, as without this foundation work is impossible, and to begin work, workers must first begin by competing for land. Such a competition cannot result in rack renting, for this earth is large enough for a hundred times its present number of inhabitants, if speculators can no longer lay their hand on it. Nobody will bid more for land than what he expects to earn beyond the usual wages of his labour in other departments of production. Suppose an industrial worker can earn fifteen shillings a day by spending the same amount of intelligence and in working as hard as an agricultural worker, we shall find that the latter in his bids for the use of land will not go higher than his calculation of a profit at least equivalent to the wages earned by the said industrial worker will warrant him in going. What he finally pays will not be a rackrent, in the present sense of the word, but only a just payment for the real value of natural opportunities, a value corresponding either to the work done by nature or that of society. The value of this work will increase with the growth of population and technical progress. The neighbourhood of consumers as well as the greater productivity of work through technical progress will make land more valuable. One of these causes affects the land of towns more, the other agricultural land, though both come into play in the two cases.

In regard to town land the objection has been made, that through the withdrawal of workers to the country, when agricultural land is freed from the bane now weighing upon it, and through the extension of the area disposable for building when the hand of the speculator is taken from the land around our towns, urban rents will fall. A decrease of town populations through land nationalisation is not impossible and if a sinking of urban rents should result from this cause, it would be a very hopeful sign, for the present overcrowding of towns is an unhealthy symptom. A decrease of urban rents due to this cause would be more than compensated by a corresponding increase of agricultural rents; but it is more than questionable whether town populations would decrease at all. We must not forget that population in most of our civilised countries is increasing at the rate of not less than 1 per cent a year. If this increase no longer fills our towns

as it does for the most part now, but stays in the country leaving to the towns only the natural increase of their population, or draining off even this increase to the country, we should nevertheless have an increase of the total of town-rents, for the increased rural population would tend to increase town business to a great extent, especially when rural prosperity increases. The great central bazaars, where goods can be bought to best advantage, places of amusement and instruction, which can command first class capacities only where a central situation ensures a sufficiently large custom to pay for services of such quality, can be found no where but in towns. Not only will the rural population resort thither, when they have a want in this direction, but people retiring from active work will very often prefer to spend the rest of their days in towns, where a great many social comforts can be procured for very little money, especially in the time of land nationalisation, when towns will no more be crowded beehives but garden cities, and when instruction and amusement will be furnished free of charge to everybody. There will be a great many more people retiring from work and living on their income, or rather on their outcome; for they will live by the consumption of their savings not by tributes obtained through them. It is certain that town rents in general will not be as high as to-day, if we estimate them by the square foot, except perhaps in the centre of the town, in which places of business and pleasure resorts of certain kinds will mostly congregate. The rent paid for building ground needed for lodging houses will be cheaper, for as no speculators hold back the land surrounding the town for miles until they can get their usury prices, the extent of the supply will prevent demand from forcing up prices beyond reasonable limits. The fact that rents in English towns are more reasonable than those of prosperous continental or American resorts can be explained by the absence of the smaller inducement to hold land for a speculative rise. The land surrounding English towns is mostly owned by landlords, who do not sell it at all, but let it out on building leases. They do not lose the unearned increment as does the seller of freehold property on the continent of Europe and America



from the moment he disposes of his property. They are sure of getting all future increase of value either for themselves or for their descendants, even if they allow others to build on their land. They are even anxious to let their land for such a purpose, for while they do not lose the advantage of the unearned increment, but on the contrary appropriate the improvements, they get rent in the meantime and whatever they obtain is so much extra profit beyond the profit made by the Continental speculator, who only counts on what he can make by a future sale, and who in the interim is glad if he can get enough out of his land to pay the taxes.

If rents of building sites be cheaper after land-nationalisation has done away with the speculator, wherever this class of men at present keeps up land prices, this does not mean that the total of rent will be less. On the contrary it will be higher, for people will use more land for buildings and gardens, especially at a time when their greater prosperity allows them to live better than they do now.

The average annual rent of a room with a fireplace in Berlin is £12 now. This amount would pay the interest of a whole house for a workman's family and yet leave as much ground rent as they pay now, when, through building lodgings vertically on each other, their ground-rents are heaped together on a small surface of land; but after interest has disappeared the whole amount could be paid for rent, deduction of a small amount being made for repairs and insurance. Rent could be doubled, and accommodation greatly increased, even if we leave out of consideration the fact that workers could pay a much higher rent than at present. English towns furnish a proof of the fact that where ground rents are reasonable, their total is much greater than where they are dear. London with its suburbs has about three times as many inhabitants as Berlin, about two and a half times as many as Paris. Why? Is it because people are driven away from the land more? Certainly this partly accounts for it; but as on the other hand France has got more inhabitants than the United Kingdom, and has a much greater centralisation, the difference could not be so great, if it was not for the fact that the suburban manner of



living in London with its cottage system, presents a much greater attraction to those who have to make choice of a place of residence, than Paris with its tenement system. It is not the character and taste of the two nations which has made the difference, for the ideal of every Frenchman is the possession of a little house of his own with a garden surrounding it, an ideal which very few ever realise, as they could only do so by leaving the city. The Englishman can find his cottage in every town of England and at a moderate price. It is the system of land tenure, to which he owes this inestimable advantage, and after the era of land-nationalisation, the throwing down of the walls of land speculation will everywhere result in much more beneficent results of this nature.

We must never leave out of calculation that the disappearance of interest benefits rent as much as it benefits wages. This manifests itself not only in urban rents, which, without increasing the cost of living, can be almost doubled through the saving of interest on the cost of building, but plays a very important part in the question of agricultural rents. We here find the best argument against the attacks of those who expect a falling of agricultural rents from the effects of foreign competition. Our rents are too high, they say, to compete with the cheap land of America and the cheap labour of India and unless we get protective tariffs, our rents will have to be lowered very much, before we can think of competing.

I have already tried to prove in the preceding pages that there is some cogency in this logic under present circumstances. In the days of land-nationalisation the farmer will laugh at those who talk to him of protection.

Capital plays a much more important part in modern scientific agriculture than virgin soil or rent. Even as it is we have proofs furnished by practical farmers, that agronomical writers like Dr. Ruhland are correct when they say that our European soil with its present rents can, if scientifically cultivated, very well compete with the virgin soil of America or with the black loam of Southern Russia. We have proofs furnished by the accounts of practical farmers. How much easier will such competition be, when

the difficulty of raising capital, the hardest obstacle to scientific farming, shall have been put out of the way, when the heaviest item in the calculation of cost "interest" will have disappeared. The savings obtained on this score would more than pay for higher wages, even if invention did not counteract their effect by the introduction of labour-saving machinery and if the same causes did not tend to raise wages in the competing countries.

### Interest the Greatest Obstacle to Progress.

The French economist, Turgot, compares the lowering of interest to the falling of the level of a sea covering a vast extent of country. As the waters retire fruitful fields appear, and valleys are covered with luxurious vegetation. Turgot would have been correct in his expectations as to the effects of a lowering of interest if he had known, that they can only be based on the descent of real interest, whereas the falling of interest which he has in view is only that of spurious interest which as we have seen, is equivalent to a rise of real interest. The falling of real interest will in reality open undreamt of vistas of blessings to working humanity. There will be nothing nature allows us to accomplish, which will have to be left undone.

There are great difficulties in the way of one of the greatest enterprises man ever undertook, viz., the cutting of the Panama Isthmus; but the greatest obstacles and those which prove unconquerable are not the Chagres river or the Culebra mountains. Human ingenuity could overcome these; but there is one obstacle in the way, which all the energy and perseverance of a Lesseps in vain tries to fight against. It is called "5 per cent." Technical science has done wonders in our day; it has given us the means to remove millions of tons of rocks and soil with a celerity formerly inconceivable; it has enabled us to yoke the powerful forces of fire and water with their child steam to the triumphal car of our progress; but it has not taught us one thing and it never will; it has not taught us how to squeeze 5 per cent. interest out of an enterprise which will only yield four, three, two, one, or less. If this terrible interest question was not in the way, the Panama canal would soon be built;

for nobody can doubt, that it will earn enough to yield a revenue and finally to repay the capital invested in it, if we only have time to wait long enough and if the heavy weight of interest and compound interest is taken out of the way.

It is the same with all other enterprises calculated to benefit man. It is not enough to show that they are well planned and that the advantage they will afford sooner or later will repay the outlay they entail; they also will have to pay as much interest as can be obtained through the farming out of monopoly-rights. The very moment this steep bar to all progress is taken out of the way, the face of the world will be changed. Seeming impossibilities become possible and easy of execution. Nowhere will the magical effect of the transformation be felt more than in the field of agriculture.

With capital man can do almost anything in this branch of human work. Give me an asphalt pavement, said one of the French market gardeners, and I will raise the finest crops on it. I do not remember whether it was the same man or another of his class, who started an asparagus farm on half an acre of ground at Asnieres, near Paris and who by means of steampipes heating the ground and by scientific culture produced one thousand bunches of asparagus daily at the value of eight pence a bunch during ten months of the year—a crop for which sixty acres would have been required in the ordinary way. I have already mentioned this case in the first chapter as a proof against the bugbear of Malthusianism. There is no rock so bare, no desert so barren, but that labour and capital, which means past and present labour, can make a paradise out of it.

When the question of realising interest is no more in the way, English enterprise and activity will raise better crops from English soil, leaving a higher ground-rent, in spite of paying high wages to the labour employed, than the best American virgin soil ever produced or ever will produce without manure.

#### **Effects of the People's Prosperity on Agriculture.**

There is another very important reason why agriculture will prosper, so as to afford high rents and good wages.

It is because the greater prosperity of the people will give a better market for the produce of the dairy, for poultry rearing, for market gardening.\* At the present day the greater part of the English nation cannot afford to drink milk, to put eggs, butter, chickens, fruit and anything but the cheapest vegetables on their tables. They have to be satisfied, if they can obtain enough of the coarsest food to sustain life. The increase of their income will in the first place be employed in better living. There will be such an enormous demand for the better paying products of agriculture just mentioned, that farmers will be able to get a good revenue from this source alone, independently of the raising of corn, hay, and such products. Even if the prices of this kind of produce are not raised for the consumer, it will pay much better than it does to-day, not only because the great quantities needed allow a more scientific production but because they allow the enormous exactions of middlemen to be done away with.

### Profits of Middlemen Saved.

To give an idea how large the profits of these are in our time, and consequently how great the saving of the producers will be after social reform has done away with all waste in the sale of goods, I give an extract from a French

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\*The best proof of what a greater consuming power of the people can do for agriculture is furnished by the United States. If competition against western wheat is hard anywhere it is in the Atlantic Coast States of the north. There is no protection and less freight difference. If agriculture could prosper in the face of such odds, to which a soil deprived of its virgin strength has to be added, it was only because the better table kept by American workers created such a want for the better paying products of agriculture, that a profit could be made in spite of the drawbacks agriculture had to contend against. Such immense sales of peaches, strawberries and the like which made it possible for large farms to live on these specialties alone would not have been feasible without a large consumption of such fruits by the labouring classes. Since the wages of these have begun to be so scanty as only to allow them the coarser and cheaper kinds of food, we hear the complaints of eastern farmers. The Vanderbilts, Goulds, etc. are beginning to produce their effect.

agricultural paper *La terre aux paysans*. According to the communications of the chairman of a Breton syndicate a market gardener gets  $8\frac{1}{2}$  centimes for a cauliflower, the agent 15-20, the merchant 28 and the greengrocer 30-70, which are paid by the consumer. In 1887 the market gardeners got 347,000 francs for their cauliflowers, the merchants 1,105,000. We can safely assume that the consumers paid not less than 2 millions.

With a good organisation of large markets, attended co-operatively by the market gardeners, we may take 10 per cent on sales as more than sufficient to pay all expenses of transportation and selling. This would leave 1,800,000 francs to the gardeners, who now get 347,000, without raising a single penny the price paid by the consumer. The producers would receive more than five times as much as they do now. The immensely increased consumption of the people would at least treble the sales of each gardener and yet keep a much greater number of them busy than now. Let us now strike the balance sheet of one of them. To-day he sells 1,000 francs worth of cauliflowers, which leave him, say 500 francs after all expenses have been paid. Let us further suppose that his expenses increase in proportion to the increase of production—which in reality will not be the case,—and we shall get a sale of 15,000 francs' worth at a cost of 1,500, or a net profit of 13,500, instead of one of 500. Supposing an acre of land was needed to produce these cauliflowers in the first case, and three to produce the increased quantity,—which is again exaggerating on the right side, for with capital our man can improve his mode of culture and perhaps get as much from one acre as he formerly got from three,—100 francs' worth of rent paid by him in the first case forced him to sacrifice a considerable part of his petty income. Every penny thus paid can be considered as taken from his well deserved wages. He could not help it, for whatever other occupation he would have turned to, interest or rent would have curtailed his legitimate earnings quite as much.

In the time of land-nationalisation he could pay 1,000 francs an acre on three acres, and even if we do not take into account the saving of interest, he would have not less than 10,000 francs over and above his former earnings.



This gives us an example how agricultural rent might be increased ten fold and yet the earnings of the worker be twenty times higher.

### **A New Era for Agriculture.**

I cannot enter any further into this subject. The object of this book is to map out new ways of looking at these questions, not to walk leisurely in them. It must suffice, if I can show how the disappearance of interest will completely reverse all our present notions of these things. What use, for instance, shall we have for the well known economic law that the ratio of productivity of capital devoted to the culture of land decreases with its quantity? To-day this law is of the greatest importance, for it shows us the limit beyond which the increase of intensive culture cannot go, because capital will only be invested as long as there is a promise of its yielding at least the rate of interest obtainable from secure investments. After the disappearance of interest we shall have no earthly use for such a law. As long as capital is of any use at all, it will pay to employ it, and as the additional yield obtainable through its application will only cease with the limit reached by human intelligence to finding better methods and new systems, we shall probably never come to the last limit, at which a further application of capital will cease to give an additional yield. I have already shown that the income thus obtained through capital will not be a root of interest, but will only result in raising wages and rent, for every such improvement will increase the national capital in uncommonly larger ratio than the number of hands making use of it. Capital cannot go to work on its own account; it has to depend on labour being kind enough to deign to employ it. As acres do not multiply at all, it is quite obvious how the increase of capital looking for investment on them will be bound to increase their net produce and consequently their rent.

No competition of foreign produce will be an obstacle to the development of English agriculture to a state of prosperity such as it has never yet known, if only the emancipation of production and exchange from the artificial obstacles of capitalism will raise the earnings of the people to the full



value of their productive work. No exportation is needed for this; nothing but free home circulation is wanted. If other countries were not forced to follow suit by their discontented workers, England need not fear their competition. In case they should become troublesome in the English home-market, there are easy preventitives against such a contingency, and if they should depress England's exportation figures by underselling her in foreign markets it would not matter. English goods will always sell well enough to buy the colonial raw materials she needs. The interest due to her from the whole world would more than pay for them, until the universal introduction of land-nationalisation had done away with the interest income together with the competing cheap wages. All these considerations disappear in view of the enormous effect land-nationalisation will have upon the home-market. If the English people produce all they would like to consume there will never be want of work for them, and if to-day the whole world beside should be swallowed up by the sea, English industry working for the benefit of the whole English nation and no longer for that of a small minority would make this country more prosperous than any the world ever saw. On the other hand, if England continues in the same groove she has been wallowing in, until now almost two-thirds of her food supply have to be imported; if she becomes more and more dependent on foreigners for the staff of life, while these very foreigners gradually emulate her in manufacturing industry, how long will her greatness last? Just think that of 47,144,661 acres of soil capable of cultivation only 3,500,000 are actually under plough, while the rest is for the greater part turned over to cattle and deer. Is it astonishing that the United Kingdom, which in 1852 produced three quarters of the wheat it consumed, in 1880 only grew one third? Formerly Englishmen went hunting in the American prairies, and England grew her bread on her own soil giving work to a hardy peasantry. Now Americans come to hunt on English ground and English bread is grown on the American prairie, while the descendant of the hardy yeoman stands hungry at the docks anxiously waiting for a job to feed his poor starving family.

### Mining-Royalties.

If we turn from agriculture to mining as the next important sphere in which man gets the benefit of nature's immense storehouse, we shall find a similar state of things. The direct robbery of labour there is great enough. The royalties paid to landlords amount to about 40 million pounds. The duke of Hamilton alone draws £150,000 out of them. I am told there exist cases where the miner gets 1 share for every 3 shares paid as royalty to a drone.\* I shall leave out

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\*“ Permit me to give a few illustrations of the way in which these royalties operate to the detriment of the community, The capitalist, in his own way, is quite as much their victim as the toil-worn miner.

“ One of the greatest of our Royalty robbers—he extorts at least £143,000 per annum—is the Duke of Hamilton. So unreasonable are his exactions, that for several years he has succeeded in producing a sort of special local depression of trade in Lanarkshire. His method of blackmail is this. He grants leases for twenty-one years at fixed ‘rents’ varying from £500 to £5,000. These are payable whether the mines are worked or not. If worked ‘royalties’ varying from 9d. to 1s. 6d. per ton are exacted the moment a certain out-put is attained. What is the consequence? The hewer’s wages have been forced down to 10d. per ton, while the ducal highwayman’s spoil averages 1s. 3d. per ton.

“ I knew of an instance in the west of Scotland where the following occurred. A company sank £50,000 in order to get at a seam of coal. They reached it, but found rent and royalty would absorb every penny of profit. Not only would there be no interest on capital, but even the ‘wages of superintendence’ would be nil. In these circumstances the landlord was importuned to make some abatement of his dues for the sake of all concerned. He was obdurate, and the machinery has consequently been idly corroding for five year.

“ In another instance a number of philanthropic gentlemen in Cumberland, some short time ago, when the scarcity of employment was very great, offered to sink £20,000 in raising iron ore on the estate of a flinty-hearted landlord. He demanded a royalty of 2s 6d. per ton on the ore that might be raised. The directors found that with this handicap they were bound to be losers, inasmuch as they could import ore more cheaply from Spain. They accordingly with great reluctance, abandoned their undertaking.

“ Nor are mining rents and royalties the only instruments of landlord rapine. The enormous ‘fines’ on the renewals of leases

of account this direct robbery, because the community would step into the shoes of the landlords, and though this would be an indirect way of increasing the incomes of the workers, it would not procure them a direct increase of wages. It is only through their getting the benefit of the waste inherent in the present system that their wages will increase just as fast as those in any other department, without an increase in the price of the raw material furnished by means of their work. I have no English calculations at hand; but I find some important statistics in an American paper, the *Philadelphia Press*. The accounts of a coal-mine in

are, if possible, yet more intolerable. The Duke of Bedford, in the Case of the Devon Consols Mine, levied a fine of £20,000 on the lessees. For renewal of the lease of the Dolcoath Mine the yet larger sum of £25,000 was exacted. In either case the lessees were placed between the devil and the deep sea. If they refused compliance, their engine-houses and all their improvements went to the lord of the manor without a penny of compensation.

"A still more startling example of landlord robbery is to be found in the Barrow Hematite Steel Company. It has a share capital of £2,000,000. For years not a penny was paid in dividends. Three noble lords—Devonshire, Buccleuch, and Muncaster—divide between them both the site of the town and the minerals under and around it. They receive from the company as their dues £126,000 per annum, while the numerous 'hands' who swelter at the furnaces have to content themselves with an aggregate of £63,000 a year. In addition to this, the 'hands' pay the rates, while the three aristocratic Brahmins get off scot-free.

"There is a cotton mill near Manchester which consumes 480 tons of coal a week. At a royalty of only 9d. a ton the firm is mulcted £900 per annum, and a similar ratio of robbery obtains in all the other mills.

"For the following interesting and instructive calculations I am mainly indebted to the late lamented William Forsyth, of the Cobden Hotel, Glasgow, some time President of the Scottish Lard Restoration League:—

"One blast furnace produces in a week 600 tons of pig iron. On that quantity the landlord's royalties amount to £201; while the wages of the employes—managers, engineers, chemists, workmen included—are but £95, or less than one-half of the spoils of the royalty footpad.

"A Cunard liner making the double voyage across the Atlantic consumes, 4,125 tons of coal. This signifies a royalty of £206 5s.,

Askem, Lucerne county, Pennsylvania, which furnishes 500 tons of coal a day are given. All imaginable expenses are stated, including bad debts and 25 cents royalty. The result is that a ton delivered on board the cars costs 1.38½ dollars. This agrees fairly well with the calculations of the official statistician of Pennsylvania, who finds 1.18 dollar without the royalty. The cost of transportation on the Reading R.R., is 20 cents., the consumer pays 6 dollars on an average. Let us take half a dollar as necessary to pay the costs of distribution and we could still divide nearly 4 dollars between the mineowner and the miners, without raising the retail price of coal. Wages could be increased four fold, and still the state would get a much higher royalty than the private owners are now getting.

#### Effect on Morals.

We thus come to the conclusion that, in spite of the enormous rise of wages which would be the result of the great reform, the rental income of the community would increase at least in the same proportion, and thus furnish an immense fund, making all taxes unnecessary, and enabling the state and the municipalities to provide free of charge a great many useful things, which only the rich can now pro-

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or more than the wages of the entire crew, from captain to cabin-boy! An aggregate of £2,400,000 per annum is thus levied on the Steam Ship Companies.

"The royalties paid to British landlords on steel rails are not less than 9s. 6d. per ton. In Belgium, the country which next to ourselves is most unfavourably situated, the mineral dues average 1s. 9d. per ton. Need we wonder, then that it costs so much more to lay down a mile of British railway than of any other, colonial or foreign?

"This heavy royalty on steel rails, taken in conjunction with the fact that about £80,000,000 over market value have been extorted for the land taken for railway construction, has produced the following startling results: In the United Kingdom one mile of railway costs £42,000; in France, £28,000; in Germany, £21,000; in Russia, £15,000; in the United States, £13,000; in Canada, £12,000; and in the other colonies, £12,000, higher wages notwithstanding. These combined robberies have imposed on the passenger and goods traffic of the nation an annual mulct of not less than £2,500,000 at least."

J. MORRISON DAVIDSON,

"The Old Order and the New."

cure. and yet leaving a large fund for distribution, which those, who are well off, will probably leave to the needy.

In Transylvania where the remnant of the old law once enjoyed by all nations, was partially kept inviolate, even at the beginning of this century, *i.e.*, where a portion of the land was common property, the habit existed of cultivating this land in common after the private lands had been attended to. After the harvest of the corn on the common land was reaped, the minister gave thanks to God for the blessings He had vouchsafed them, and exhorted his hearers to remember the poor, and if possible to leave to them their part of the common crop, finally asking those who would do so to raise their hand. First one of the richest would begin, then another followed, till finally all those who could afford it, had renounced their share for the benefit of the poor. At that time there existed no beggar among the native Saxon population.\*

There is nothing wonderful about such acts of devotion. Man by his nature is sympathetic, and it is only the unnatural battle we are forced into, which turns the good of our nature into greed and selfishness. It will be different when the great reform has delivered us from the grinding cares which this terrible battle of life entails on most of us.

I do not intend to enter into a description of the change which a real social reform will make in the character of men; nor do I want to paint the moral, social, physical and political effects we may expect from it.

Henry George and others have done this better than I possibly could, but I wish it to be mentioned, that I am far from ignoring the eminently important moral and religious side of the social question; only I am inclined to think that the master-builder of a house has first to concern himself with the foundation and the chief walls, before he thinks of the division into rooms, the carpets, and the internal equipments. The material basis is the foundation and chief wall without which all the rest of the social ideal floats in the

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\* I have this information from one of the descendants of this old Germanic tribe, my friend, Ch. F. Maurer, Director of a Girl's School at Landau.



air, remaining only a *Fata Morgana* in the desert of life. Not till this is laid, not till there is a secure basis of existence for the superstructure of a healthy society, is it time to devote oneself to those other tasks. Whether afterwards the rooms are to be arranged in the Christian-Germanic style, or in the Moorish-Mahommedan, the Oriental-Jewish, or the modern humanitarian, is quite a secondary matter. It will be found, to people's surprise, that these diverse styles of social architecture will be less and less differentiated from each other, and will in fact coalesce, sooner than is now anticipated, in the great future structure of humanity, when once the battle-sword shall have been buried that now drives people apart in the struggle for existence—which sword's name is "the fear of want." This sword comes not only between brother and brother, it strikes not only the poor and wretched. Even to the rich man it appears in dreams as a ghost of terror, urging him on to fresh acquisition in the vain delusion that he will thereby obtain a secure position for himself and his children for all time. Foolish effort! With those accumulations of riches on riches you deluded men are doing the exact opposite! You are pulling away the stones from the foundation to build with them higher storeys that you may make for yourselves a safe refuge aloft from the ever-growing ocean of human misery! Verily you are making a mad beginning! As sure as there are eternal natural laws that with all your riches you cannot change, your building must fall, burying you, and all, beneath the dreadful waves. There is only one way of safety for you, and that not for much longer, for already the building is tottering which you are raising ever higher on a foundation growing ever narrower. This way of escape lies in your full self-sacrificing co-operation in bringing about a fundamental economic reform. I know well that the work to be done is a gigantic one, but it is practicable if you apply towards breaking the way even a small part of the hoarded wealth with which now you are only worsening the world's misery. Would the joy of having shared in accomplishing what is grandest and noblest not be more satisfying to you than all other joys you might acquire by your riches? A. T. Stewart, the famous New York millionaire, who left



over 50,000,000 dollars, once said to an acquaintance: "What am I the better for these riches? I cannot take a cent. away with me when I die; and down here, after all, it brings me nothing but food, clothing, and shelter." No, it brought him something more. It brought him the body-snatcher who outraged his grave! It is a disease—this passion for accumulation that gives rise to the Stewarts, Joneses, Huntingdons, Mackays, Vanderbilts, Rothschilds, Westminsters, Bleichröders, a disease, not to be healed, but by cutting away the ground on which it has developed so terribly—the monopolisation of the earth. Religious consciousness, moral elevation, culture, are beautiful and precious stones whose value in the social structure of humanity I do not ignore. But they crumble to dust under the economic pressure created by our unnatural conditions—pressure inevitable so long as the main pillars of wholesome development are lacking. Without these the individual is helpless.

The best intentioned people are much in the position of the dog that was trained to fetch rolls from the baker's, and was once attacked by a number of his mates. He defended the goods entrusted to him with all his might until he saw that he would be overpowered. Then he ate along with the rest. Self-denial on his part would not have saved a single roll for his master. So long as the present conditions last, to share the spoils is the only policy for the individual. But whatever power one gains, one ought to use for fighting the great battle of reform.

This can only be done by beginning at the beginning. I repeat it, there is only one way of building a house intended to stand the attacks of time, and that is by giving it a good foundation. If you forget this, it will fall to the ground, and it will do so the faster the higher you build it. All the work spent on such a building is wasted, is worse than wasted. What is the use of all our benevolent efforts, in all directions, if we do not begin by building a good foundation? I have shown how the good is bound to produce the bad to-day; and so every effort of reform, if it does not begin at the foundation is bound to do more harm than good. Temperance societies,\* prison reformers, promoters of co-oper-

\*Temperance Societies certainly do a great deal of good in their

ative societies, religious reformers, peace societies, etc., if successful in their noble efforts could only load the old building with a supplement of valuable furniture, and thus

way ; but they must not overshoot the mark, as they certainly are doing when they expect Social Reform from temperance. I have already shown that under present circumstances, temperance would increase the evils we suffer from, but I have not shown yet the want of foundation underlying the fears of those economists, who expect an increase of drunkenness from a rise of wages. They generally try to prove this assumption by alluding to cases of an exceptional and temporary increase of income, which resulted in dissipation. There is no doubt that such cases occurred, or always are apt to occur, where an exceptional good fortune befalls people who are not prepared for it and who know that it will not last. We have a German proverb: "Wie gewonnen, so zerronnen," (as it is gained, so it is spent.) Lottery gains very often go as quick as they come. It is different with a regular increase of income. The ways of living of workmen, and of all classes, who earn good wages all the year round, show us, that better houses, better furniture, better clothing, better food, a better education of the children, healthy amusements, &c., are the consequences of regular high earnings.

John Rae, in his "Contemporary Socialism," (New York, Charles Scribner Sons, 1891), gives expression to similar ideas and cites a very interesting proof of their correctness on p.p. 345 and 346:—

"But the increase in the number of apprehensions for drunkenness that frequently accompanies a rise in wages proves neither one thing nor another, as the general effect of the rise on the whole class of labourers who have obtained it ; it proves only that the more dissipated among them are able to get oftener drunk. Nor can the singular manifestations, which the full hand sometimes takes with the less instructed sections of the working class, especially if it has been suddenly acquired, furnish any valid inferences as to the way it would be used by the working class in general, particularly if it were their permanent possession. The evidence laid before the House of Lords' Committee on intemperance shows that the skilled labourers of this country are becoming less drunken as their wages and general position are improving, and Porter in his "Progress of the Nation" adduces some striking cases of a steady rise of wages making a manifest change for the better in the case of unskilled labourers. He mentions on the authority of a gentleman who had the chief direction in the work, that the formation of a canal in the North of Ireland for some time afforded steady employment to a portion of the peasantry, who before that time were suffering all the evils so common in that

hasten the final crash ; for they increase the power of those forces, which are carrying down the old social structure by adding to the weight of the causes that are bringing on the

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country which result from precariousness of employment. Such work as they could previously get came at uncertain intervals and was sought by so many competitors, that the remuneration was of the scantiest amount. In this condition the men were improvident to recklessness. Their wages, insufficient for the comfortable maintenance of their families, were wasted in procuring for themselves a temporary forgetfulness of their misery at the whiskey shop, and the men appeared to be sunk into a state of hopeless degradation. From the moment however that work was offered to them which was constant in its nature and certain in its duration, and in which their weekly earnings would be sufficient to provide for their comfortable support, men who had been idle and dissolute were converted into sober hard-working labourers, and proved themselves kind and careful husbands and fathers ; and it is stated as a fact, that, notwithstanding the distribution of several hundred pounds weekly in wages, the whole of which would be considered as so much additional money placed in their hands, the consumption of whiskey was absolutely and permanently diminished in the district. During the comparative short period in which the construction of the canal was in progress, some of the most careful labourers, men who most probably before then never knew what it was to possess five shillings at any one time, saved sufficient money to enable them to emigrate to Canada, where they are now labouring in independance, for the improvement of their own land. (page 451.)

It may be difficult to extirpate drunkenness in our climate even with good wages, but it is certainly impossible with bad, for bad wages mean insufficient nourishment, comfortless house accommodation, and a want of that elasticity after work which enables men to find pleasure in any other form of enjoyment. As with better wages so with shorter hours. The leisure gained may be misused, especially at first, but it is nevertheless a necessary lever for the social amelioration of the labouring class, and it will more and more serve this purpose, as it becomes one of their permanent acquisitions. There can be no question that long hours and hard work are powerful pre-disposing causes to drunkenness. Studnitz mentions that several manufacturers in America had informed him that they had invariably remarked, that with solitary exceptions here and there, the men who wrought for the longest number of hours were most prone to dissipation, and that the others were more intelligent, and formed on the whole a better class."

catastrophe. They increase production and they decrease consumption, thus further reducing the chance of finding work.

Political reformers, champions of universal suffrage, the emancipation of women, free education, etc., are only hastening the downfall by strengthening those elements which are working at the undermining of the social building. Not that I would wish to discourage such noble efforts; on the contrary, I think they are eminently useful even in the present state of things, for there are two ways of building a new social structure. The one is by gradually taking out the rotten beams on which the present one is resting, and replacing them by solid foundations, after which we may gradually proceed to renovate the rest of the building; the other by hastening the downfall of the rickety thing, and building something entirely new. I, for my part prefer the former system. The other may work faster and may be more thorough, but a great many good things worth preserving, and not so soon replaced, may be carried down by the crushing of the old house, and besides, I am one of those who hold a fairly comfortable berth in it, which I would not like to lose. I invite all those who belong to the same class with me, to that small minority for whom the masses are working, to do all in their power to bring about a peaceful but thorough reform while their power lasts, which they may rest assured will not be for very long. Let them give up all their efforts in other directions, let them put off for the time being their charitable and humane efforts, never mind in which direction they are exerted, and join those instead who are busy at reforming the very foundation of the vicious system, which is leading us to rapid perdition, the robbery of God's earth, private land ownership.

The next and last chapter will be devoted to the question how the reform is to be carried on by peaceful means, in organic development, without shaking the fabric of society.

## CHAPTER V.

*Carrying through the Reform.*

There are three ways of carrying through the great reform :—1. By confiscation of the land. 2. By purchase. 3. By a mixture of both systems.

**Confiscation a bad Policy.**

Confiscation may have two forms :—1. Direct confiscation. 2. Indirect confiscation through taxation. The choice between the two would be that given to the rabbit, whether it preferred to be cooked in white or in black sauce. The objection that it did not want to be cooked at all was considered out of order. I think it is always honest to call things by their names, and though it may sound better to style oneself a single taxman, a land-confiscator would be more honest ; for there can be no doubt, and Henry George the great leader of single taxmen, fairly acknowledges it in his writings, that to take rent by taxation is an equivalent to taking the land. As I desire to keep to my plan of not unnecessarily repeating what others have said better than I could, I refer the reader to "The Land for the People," by Charles Wicksteed (London, William Reeves,), who to my great surprise has adduced some of the same arguments I used in my German book three years before his work was written. I have not much to add to this excellent book, which no one who takes an interest in this great question ought to fail to read. I do not believe in confiscation, at least not for England and the European continent, for the same reasons which caused Mr. Wicksteed's opposition to it. I believe that honest purchase is not only the best policy ; but that it is the cheapest in the end. It is carried through fastest and therefore will be more apt to benefit

the living generation than any other method. I believe that it would have cost a good deal less to buy out the southern slaveholders than to go to war, and finally to pay at least three times as much as the purchase of all the slaves would have cost. One might say, that slaveholders would not have submitted to being bought out, and the war would have been unavoidable in any case. This is possible; but it would be no excuse for not making the experiment. I would not in the least object to confiscate the land of all those landlords who would not submit to being bought out, if the law were once passed. I would even go further and advocate the insertion of a clause in the law to the effect that compensation is only to be given to those landlords, who leave off all opposition after this bill has been adopted by the House of Commons; while those who continue to fight it, be it by trying to raise opposition in the House of Lords, or in any other way, should lose all claims to compensation.

Here are my reasons for such a rigorous proposal. There can be no question as to the origin of English landlordism. It was an undisguised robbery of the people and English land legislation has been a continuation of this robbery. But that does not give us a right to call the present landlords robbers. They may plead that a wrong which had been tolerated so long, had at least got the semblance of a right. If their forefathers had wronged the people, this wrong had been allowed to last such a time, that they had every right to suppose that the nation did not object to landlordism, as otherwise it would certainly have made an end of it before. There would be no excuse in pleading the want of power, for there was at least one period of English history when the power of king and nobles was completely broken and when the people might have resumed their rights, if they had thought fit to do so. Excepting a comparatively small number of Levellers, who held some very advanced ideas on this subject the great body of the English nation in the time of the Commonwealth did not dream of such a thing. We find the best proof of the fact that public opinion was not at all prepared for the idea of land resumption in the system introduced in the United States by the Pilgrim Fathers and others. What William the Conqueror had done to their forefathers, they did to the poor



Indians. They robbed them of their land, and took it into private possession in a much more thorough manner than under the Norman system of feudal tenure, which at least kept up the right of resumption by the Crown, a right which though gradually falling into desuetude is still formally existent. No such mitigating feature existed in the system adopted in the new country. An absolute right of possession to use or abuse was given. On both sides of the ocean landlords can claim that they hold their land by a right, which, though unjustifiable in the base it rests on, can certainly claim the acknowledgment of centuries of direct or tacit toleration. "If we have not learnt anything which could be useful to us in earning our bread," landlords might plead, "it was not our fault. It was with your connivance that we grew up in the belief that those rights you want to take from us, belonged to us to all eternity. You ought to compensate us in some way, if all of a sudden you have changed your mind, especially as a great many of us have undertaken heavy responsibilities to mortgagees and others on the faith of our old and undisputed possessions." I should be very much mistaken in the temper of the English people if such an appeal passed unheard. The feeling of esteem for vested rights is inborn in the nature of the average Englishman, so much so, that it may be considered as a national element of strength, which, however, under certain circumstances may prove to be a source of weakness. If through this feeling England has escaped the shock of continual revolutions and counter revolutions, under which their passionate and changeable neighbours on the other side of the channel have for a century past been suffering, she has also missed an opportunity of improving the lot of the masses, such as did not recur for two centuries and a half. If the Long Parliament had confiscated or resumed the lands of all the rebels against the national will, it would have got possession of a greater part of the English, Scottish, and Irish land. If this land had never been given away again, but had been leased out by the nation to those who wanted to cultivate it, while the rent obtained from it had been employed to buy out the remaining landlords, England would to-day be the paradise of the world, and the school of real liberty for humanity. France in following

her in the revolutionary career more than a century later would not have committed the folly of selling the lands she confiscated from her nobility, but by keeping them for the people would have laid the foundation of social prosperity, such as would have preserved her from that continual discontent of the masses, which in vain tries to find the cure of the evils, pushing them to one revolution after another, by manufacturing new constitutions by the dozen, forgetting that only a social reform can afford the lasting remedy for which the people are pining in vain.

In spite of its drawbacks, the conservative feeling inherent in the average English breast is so estimable a factor of sound national progress, that even temporary disadvantages ought not to induce us to slight it. Compensation, therefore, has much to recommend it ; but even the most conservative need not go as far as the Long Parliament did, when it left their lands to the repenting cavaliers. After a vote of the House of Commons, in favour of land-nationalisation, (which certainly could not be obtained without an agitation of great magnitude), the questions of right and wrong of landlordism would be fully ventilated to the heart's content of all who have ears to hear and eyes to read. For those who wanted to continue a wrong which at last had been recognised as such by the majority of the nation, there would be no more excuse to slight a principle which from an ethical truth—never successfully disputed by any body who had the courage to look truth in the face—had advanced into a measure practically adopted by the majority of Englishmen. Those who opposed the nation's decision after such an unmistakable proof of the general recognition of a universal truth would have forfeited every claim to compensation, especially as their opposition would endanger the public peace, if the people, through not being able to overcome the resistance of the House of Lords and perhaps of the Crown, would have to take refuge in the ultima ratio of revolutionary proceedings.

**Decrease of the Interest Rate will hasten Redemption.**

Compensation would be easier even than Mr. Wicksteed thinks. He makes out a table showing that by calculating

on a yearly increase of rent amounting to 2 per cent, the land will be paid for in 40 years, and 2 per cent, according to his showing was the yearly increase during the last 40 years. I think, we can safely say, that the increase will be much faster in the reform time, when agriculture and industry are no longer handicapped by the increasing weight of landlordism and its effects, as I have shown in the last chapter; but another much more important element, the decrease of interest, is left out of consideration by Mr. Wicksteed, though he is one of the few land-nationalisers who have clearly seen that interest will disappear with private rent. As it is impossible to foresee, in what ratio interest will go down during the time required for redeeming the bonds issued for the land, it is not easy to calculate the exact number of years, by which the saving of interest would shorten the period required for this purpose. If rent did not increase at all this saving alone if it averaged 2 per cent during the whole period, would redeem the bonds in 40 years. I think, the saving would average rather more than less, if we take Mr. Wicksteed's assumption that land-owners receive 30 years purchase, so that 3 one-third per cent will be the rate at which rent is capitalized.

At present landvalues offer an elastic reservoir for the spurious capital yearly accumulating through compound interest. When the value of land in the United Kingdom, including mines, urban land, railroad land, and ports is estimated at a yearly rental of 150 millions, its capital value at 3 one-third per cent would be 4500 millions; at 2 per cent, it would be 7500 millions. In the United Kingdom the effect on the capital market of this rise through the decrease of interest would not be so sensible, because the greater part of the land is bound by entail and therefore is not saleable; but the same cause produces the same effects everywhere and in countries where land is freely saleable, as in France, for instance, the effect of capital accumulation by forcing down interest raises the multiplier by which the capital value of land is computed from rent, and landvalues rise proportionately. We thus see that the very cause, which forces down the rate of interest, the accumulation of spurious capital looking for investment, increases the spurious

capital offering itself for investment. As no doubt land-nationalisation in one country will soon be followed by the same system in the others, we shall at an early period have a rigid enclosure put round the rubber reservoir of spurious capital, *i.e.* of landvalues, which under present circumstances expands with the new capital looking out for investment in it. The future increase of spurious capital, will either have to change into real capital, by investing in business enterprises, or will have to compete for the limited amount of spurious, but safe investments. The greater the fortune of a spurious capitalist, the less will he be inclined to choose the former method ; for the faculties of supervision are limited and the larger the capital invested in business enterprises, the greater will be the risk. Under present circumstances the descendants of a Rothschild, who by his financial genius has founded the colossal fortune of his family might be the most stupid fellows, but that fact would not prevent them from getting richer every year, if only they keep to the traditions of their house which enjoin them to invest in spurious capital and to shun the real. After the disappearance of spurious capital all this will change. Large capitalists like these would be the last to risk their fortunes in business investments. They would rather pay it into the government bank and leave it there without interest, and they would do well ; for when real capital pays no interest, but only yields a risk premium, this premium will mostly be paid by them to smaller investors, who are better qualified to watch their investments. Whatever these gain, they will lose. It would be no advantage to them, if they turned their fortunes into gold and kept it to raise its purchasing power by diminishing its quantity in the market. Independently of the reasons given in the second chapter, the risk and expense of storage might finally be greater than the profit realised in spending their gold. It is only on what they spend for consumption, that they could profit at all, for if they wanted to sell their gold in larger quantities, they would force down prices. They certainly could not create any difficulties in the circulation, for real metal is not needed for this purpose. The treasury notes of the State will be just as good as actual gold, in as much as the income of the State is greater than her expenses enabling her to get in more gold than

she pays out, or in other words freeing her from the necessity of paying out any gold at all, as clearinghouse operations will always be in her favour. Even in the worst case the profit made by capitalists in increasing the purchasing power of their savings will never have the effect of their present tribute rights. They are only effective at the moment of consumption, whereas the danger of present tribute rights consists in their not being exercised consumptively but being only used for the purpose of a further accumulation. Hoarding gold therefore never can have the effect of proving an obstacle to production.

The deposits in the State treasury or State bank will not remain idle there. They will be lent out to workers without any risk to the community. Credit insurance companies will take this risk. They will spring up all over the country, probably on a co-operative basis. Borrowers will get their insurance policies from them, as they now do from fire, life and other insurances. The rate of insurance will depend on the risk likely to be run. A temperate, industrious workman will pay a lower premium than one who is less trustworthy in this respect. There will be an excellent element of education in this, as the social standing of a man will come to be rated in accordance with his insurance premiums, and as intemperate people will rate lower than abstainers, there will be a strong inducement for them to practice temperance so as to get a better rating, and thus not only to save money, but to rise on the social ladder. The State bank will give the money free of charge on presentation of the policies. If it is not paid back at the end of the year, or if a new policy is not presented to replace that which has expired, the Insurance Company will have to pay the State, and try to get reimbursement from the insured.

We have seen now that when spurious capital has disappeared from the market, the great capitalists will rather deposit their money without interest than risk it in business, but of course as long as there exist investments in spurious capital, they will eagerly compete for them with the natural consequence of raising their price or in other words forcing down their rate of interest. If interest is going down even to-day, when the elastic reservoir of spurious capital, mostly represented by land, is offering an expanding store-room, how



fast will the decrease be, when once that store-room is closed for ever through land-nationalisation, or rather when its walls have lost their expanding power, so that there is no more room for the new capitals created by compound interest! If, therefore, I estimate at 2 per cent the average saving of interest made by the State within the time needed to pay back the debt, I think I have kept within the bounds of reality. In this way the land debt could be paid back within 40 years, even if there were no rise of rent at all during that period; but as the rise will not only be as fast as it is now but much faster, when as I have shown in the last chapter, the increasing prosperity of the land users will enable them to make higher bids for land, I think, I may safely say that in 25 years not only the land would be paid for, but even the present debt as well would be redeemed. Three or four years of the increased national rental would do **this**.

#### Compensation preferable to Confiscation.

The absence of interest will be an important moment in appeasing those who do not want to incur eternal national obligations towards the successors of generations of drones fed for centuries from the national exchequer and by the sweat of hard working tenants and labourers. The whole financial operation would be over, all would be paid off long before the advocates of confiscation could hope to carry through their plans, especially if the confiscation is to be a gradual one by a successive increase of the ground tax. They think such a process less painful, as did the man who, wishing to cut his dog's tail off, only cut a small piece every day, so as to hurt the poor beast as little as possible. The tail at least did not grow during the cutting operation, but rent will, for the effects of land taxation would certainly be in the direction of increasing rents. George shows this very clearly himself, when he maintains that any tax, which is taken off will increase rent, rent being always the highest price obtainable for the use of land through the competition of workers, who can pay a higher price when they have no other taxes to pay, than when taxation reduces their rent paying capacity. For this reason I am not over enthusiastic



over the plan of taxing ground rents, unless the proceeds are to be used for the purpose of buying the land for the people; for if they are to be employed solely to take off other taxes or rates, landlords will recoup themselves in raised rent for what they have lost in taxes.

If a tenant pays £100 rent and £30 rates he will have to pay £130 rent when the landlord pays the rates, and if he does not because his lease has yet to run for a certain time, there are £30 put into his pocket, which any body else would willingly pay, as it is not the landlord, but supply and demand which fixes rents. An individual would get the entire benefit of a good law, which ought to benefit the public. It is only in its effects on unused land, that taxation of ground rents would benefit tenants, for this land would be thrown into the market and would force down rents as the landlords could no longer afford to keep it idle, when heavy rates have to be paid from it. A tax on land differs in one important particular from all other taxes. Whereas these increase the price of the goods they are imposed upon, a tax on land decreases the price of land and renders it more accessible to those who want to use it.

For the same reason Herbert V. Mill's plans, of which I gave a short outline in Chapter III., would only help to raise rent, if his intention of relieving the parishes from the poor tax was carried out. Rents would rise in proportion and the parties mostly benefited would be the landlords. If I approve of his plans it is chiefly, because I would not reduce the poor taxes one penny, but would use the economies made to purchase land for the nation. The first condition for the carrying through of this or any other plan of reform must be a general appraisement of land values all over the country and the passing of a law empowering the State or the County Councils to purchase the land at this valuation at any future time, only taking account of the improvements which increase the value. If this was not done all the advantages obtained through the reforms would in the last resort benefit the land owners by increasing the value of their land, and thus raising the price the nation would have to pay for it. If we have been fools in the past, this ought not to mean that we are to continue so in the

future. If we have been crazy enough to allow dogs in the manger to swallow all the benefits accruing from any improvement due to the workers of the nation, we ought to act more sensibly from the moment the great truth has dawned upon us, that the land belongs to the people. No sane man will then listen to the proposal of making a present to Irish tenants of the advantages to be reaped from the use of imperial credit. "Neither the landlord, nor the tenant, but the whole people" will be the cry, not the fortification of landlordism by creating a greater number of landlords. By going back to the system of peasant-proprietorship, which has produced such bad results wherever it has been tried, capitalist landlordism through division by inheritance, sale, mortgaging and any other process of disintegration, becomes simply inevitable!"

I do not depreciate the help of ground rent taxation, or the reimposition of the four shillings in the pound. All such laws, if they can be carried, will force down the selling value of land and hasten the day of full redemption. Inheritance taxes might further help to bring on that much desired time. The wave of prosperity for the people will not have to wait till then, for the effect of the reform will be felt almost immediately, and will be more marked from year to year. First of all large public enterprises undertaken by the nation, the pauper system advocated by Mill, and small land allotments given to cultivators with the additional help of a loan of the small capital required by them for their start \* would soon do away

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\* The fact I have before me in two forms. The first is supplied by Mr. Sidney Smith:

"The parish of Cholesbury, in Buckinghamshire, was entirely occupied by two large farmers. Fertile, populous, within forty miles of the metropolis, its cultivators, notwithstanding, fell behind. There were 139 inhabitants in the parish, but only two had an inch of the soil. Was not this civilisation run mad? Was it not a glaring and staring evidence of the monstrous abuse of the principle of private property that only one man out of 69 tillers of the ground should have exclusive occupation of the earth, which God made common to all, and the appropriation of which can only be tolerated upon the clearest proof of public advantage? What was the consequence of this *beau ideal* of politico-economical arrangement? Simply this: out of the 139 inhabitants 119 were paupers. The

with the army of the unemployed and by taking away the dead weight which their competition puts upon the active workers, would soon enable the latter to get higher wages. Gradually the effects which we are entitled to expect from the reduction of the large incomes and of the deficit between production and consumption, will come into play, even if other nations do not follow suit immediately. In this case interest would decrease more slowly, and the disappearance of the capitalist's blackmail would not be as fast, because capital could emigrate.

### Emigration of Capital, a Bugbear.

This emigration of capital is one of those terrible bugbears which ignorant or malevolent journalists and public speakers are in the habit of presenting to workmen, whenever these latter see fit to present their demands for a greater share in the produce of their work. Let us see what capital can really emigrate. The real? Very little of it can get away at all and only a small part will ever dream of doing so, because

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land monopolists became bankrupt, the parson got no tithes, the landlords' acres were in rapid course of being eaten up with rates, and the whole property of the parish, being unable to feed the inhabitants, a rate in aid had to be levied on the neighbouring parishes, which were rapidly degenerating into the same state. The Labourers' Friend Society came to the rescue. They leased the land at a fair rent. They parcelled it out among the very worst class of persons upon whose habits to hazard the result of such an experiment. Some got five, some ten acres, according to the size of their families; and what was the effect? At the end of four years the number of paupers had diminished from 119 to five, and these were persons disabled from old age or disease. These once paupers could now afford to pay a rate in aid of the neighbouring parishes—and it was found that every one of them was in a state of independence and comfort; each had a cow, many two or three, to which some added a horse, others some oxen ready for the market, and all had pigs and poultry in abundance. No experiment could be more conclusive than this. Persons once degraded to the condition of paupers lose self-respect, the love of independence, the spirit of self-help."

I have before me a copy of a letter from the Rev. H. P. Jestin, the rector of the parish, too long to give here entire. He says that for the previous ten years the poor-rates had been 30s. in the pound; and that this amount brought the parish to wreck. The

it would almost entirely lose its value. Houses, factories, wharves, mines and the like cannot emigrate at all. Machines can only do so to a very limited extent, because their removal would be so expensive that a great part of their value would be lost. This loss would be certain, whereas the possible gain arising from working them with less obstreperous labour would be very problematical in these times of universal workingmen's manifestations. Goods and gold could leave ; but the very thing workers want, is to have the surplus of goods out of the way, to enable them to go to work and produce new stock, which soon would bring back the money that had emigrated. All the workers want is to be allowed to produce wealth, and capitalists cannot take away with them what they require for this purpose, viz., land and natural opportunities. Even if they could take away all the machines in the country, the hands of the British workman would soon have made others. In a very short time there would be more wealth in the country than had left it. No, the exodus of real capital will never harm the workers, if natural opportunities are open to them, if the land, the soil of their country is restored to them, and this soil cannot be taken away. Landlords have

gates were removed from the fields, the hedges allowed to be broken down, and the land thrown out of cultivation, that it should not be rated. Previously the land was let at 13s. an acre, the landlord guaranteeing a maximum amount of rates. In those days, the tenant, when he went to the rent audit, had to carry a lot of money away instead of leaving any. Of course an end of such a state of things soon came. The landlord was without rent, and the parson without tithe, and the farmers bankrupt and gone. But when the monopoly system had brought all things to chaos the remedy came. The paupers had to rescue the land from barrenness, the landlord and parson from ruin, and redeem themselves. And nobly they did it all. The land was divided up amongst them, not at 13s. an acre though, the price the farmers paid, but at 26s., just double ! However, the rates quickly went down from 30s. to 3s. ! The parson got his tithes, and the landlord his rent, and the people food, the produce of the land. For ten years after not a single pauper thus raised to independence committed any offence to bring him before a magistrate. They were all changed at once from paupers into decent people, tax-payers, law-abiding men. And the clergyman wrote, "*there is not a ragged, ill-dressed person in the parish !*"

to leave behind this source of spurious capital. An exportation of the spurious capital, therefore, is nothing but the expatriation of tribute rights derived from the possession of things which cannot be taken away, but must remain in the country. The annulling of such rights would of course do away with their exportation. This alone would be sufficient to show the idleness of the exportation threat. As long as the workers have it in their power to prevent any injurious actions of capitalists by holding the confiscation sword over them, they need not be afraid of them. *Salus populi suprema lex*. If exportation of tribute rights should prove an obstacle to peaceable reform, such exportation would have to be prohibited. Exportation of spurious capital would entail its confiscation. What did the French emigrants take with them a hundred years ago? A few jewels and a little gold which they could secrete about their persons, was all. The great bulk of their fortunes had to remain behind. What would it have helped them, if their title—or mortgage—deeds had been taken with them? They were just so much waste paper, if the rights they conveyed were no further recognised. Real capital is too heavy to fly away, and spurious capital is like a kite. It depends altogether on the goodwill of the string-holder. Land and other monopoly values are the strings of the kite, "spurious capital." By their means it can always be brought back to its starting place, or if the string is cut, will fall down a worthless bit of paper, and henceforth cease to be a kite, as long as the connexion with the string is not renewed.

But confiscation is not needed to prevent the exportation of spurious capital; let it go away, it will not do harm long. Even if other countries did not follow England's example, the withdrawal of English land from the capital market, the substitution of government bonds, of an unchangeable field of investment for an expanding one will have a certain effect on the capital market of the world. Such an important change in the international field of investments, as the withdrawal of English land values would certainly tend to lower the rate of interest to a certain extent, and thus provide a fund for the redemption of the government bonds. Their gradual withdrawal and the yearly decrease of the spurious capital of the



world would further force down interest and quicken the redemption of government bonds. If meanwhile the increasing national income from the land—increasing even if rent does not rise, because the interest debt rapidly decreases—was partly used for public improvements, giving work to the unemployed, and thus enabling workers to force up wages, immense progress could be made in bettering the position of workers, especially if we take into account the effect of the impulse given to agriculture through the opening of natural opportunities. If other nations after this would not follow England in a reform which thus ensures the prosperity of the people, they would be blind, or their workers would be devoid of all energy.

We can hardly suppose this, but even if we did, the effect of the reform on England would be almost the same. Spurious capital would have disappeared from within her borders in any case, or what would remain of it would not be based on English tribute rights, but on those of foreigners. This would harm the latter, and thus would hasten their social revolution; but it would affect England only so far as to prevent real interest from disappearing, as long as spurious interest could be obtained from foreigners.

I have already shown, in the second chapter, how impossible it is for real capital and real interest to create the unnatural prohibition of work, which spurious capital has to answer for, and I have also shown that it is impossible to accumulate large fortunes in real capital. But can there not arise a deficiency of real capital in England, if capitalists prefer to export their savings, for the purpose of investing them in the securer spurious capital of foreign countries? Is it so certain that there is greater security? America will, perhaps, carry through the great reform before England, and it is not every other people that possesses the law-abiding spirit of the English. Socialists on the continent of Europe do not, and their numbers are rapidly increasing, so that if things have their course the time will soon come when they will form the overwhelming majority. What security is there for a continuance of the present state of things, if these multitudes, who form the armies which are to restrain them, once get it clearly fixed in their heads, that their masters have nothing



else wherewith to coerce them but their own arms, and if by common consent, by one of these epidemics reigning in the spiritual empire as well as in the physical, all at the same time refuse obedience to their officers, when commanded to fire on their brethren, as they did in the French Revolution? But we do not even have to wait for a revolution; we have seen that the laws of arithmetic are fighting against the continuance of the present state of things, and if revolution will not put an end to it, bankruptcy will. Productive work cannot keep up with the magic power of compound-interest figures. Before another doubling of these figures takes place, the inevitable general crash will have come. Where will be the security of foreign investments in such a case? If foreign investments are becoming more doubtful, from year to year, the very opposite would take place with English real capital investments after land-nationalisation. The absence of spurious capital means, that capitalists are no longer able to accumulate tribute-rights to any extent. Real interest cannot accumulate beyond a certain limit, the same limit, to which spurious interest is subject, the solvency of the debtor. The only difference is, that if the debtor of spurious interest fails, the creditor gets possession of something, by which he can force others to take the place of the ruined man. If the interest on a mortgage is not paid, the land on which this debt is secured is sold to anybody, on the condition that he is to undertake the obligations of the ruined predecessor, including the outstanding interest. If the rent of a farm is not paid, the improvements made by the tenant or his personal property will have to make up for it. The next tenant who steps into his shoes will pay the back rent by reimbursing these improvements or this property either in cash or by a higher rent.

It is entirely different with real interest. If a manufacturer fails his creditors who have not secured their claim by a mortgage on the land on which the factory stands, at the valuation based on the rent which anybody would pay who needed the land, even if the factory had to be pulled down, i.e., the creditors, not secured by spurious capital but by the real, will have nothing left, save what the machines and the building will fetch in the market, unless they want to run

the risk of continuing the business themselves, or of renting the stock to somebody else, in which cases the likelihood, nay on the average even the certainty will be, that they lose every penny of their investment. At a sale of this kind generally not a quarter of cost is obtained, and the creditor has very little left.

What makes investments of this kind so insecure? It is the state of business brought about by the effects of capital accumulations. After land nationalisation these accumulations are no longer possible in the country, which carries it through; business consequently will improve, failure will diminish, real investments will become securer. This would seem to make accumulations again possible, and so it may, but only to a certain extent, as otherwise they would again injure business and in consequence, losing their security would become reduced again. In this way there would be a natural adjustment, preventing the recurrence of the present state of things. If capitalists could no longer interfere with the free exchange between production and consumption, because any such interference would destroy their capital, and thus immediately remove the obstruction, labour would hold the balance of power. Wherever a capitalist loses, through the sale of a failing factory, labour will be bound to win, being able to buy the tools of production cheaper. The capitalist has no use for them unless somebody works with them, and the workers will be able to make their own terms. Gradually the workers would be able to save as much capital as they need to carry on their work. They would be more and more independent of the great capitalists, and with this growing independence their purchasing power would increase and business would improve. With improving business the risk inherent to commercial enterprises would diminish and capital would look out more and more for real home investments instead of spurious foreign ones. The small capitalists, especially, would rather invest at home, where they can better watch their investments than abroad. A tradesman would rather lend his savings to another tradesman, whom he knows and whose business he can watch than look out for foreign investments. This used to be the general case in times gone by, when state-loans were almost unknown and

land held by feudal tenure offered only a small field of investment. Capitalists then used to lend their capital to merchants and tradesmen who had any use for them and whom they thought they could trust. (According to Adam Smith business men in Holland borrowed at three per cent in the last century). These times would come back again. Even those investments which were made in foreign countries, would not do any harm. To export real capital, work would have to be employed to produce it, certainly not a very appalling prospect in a time when over-production and want of employment are the reigning complaints.

But supposing that our great *capitalists exported gold* instead of goods? Let us suppose they did, which might happen, if instead of getting in their foreign interest tribute they not only invested it anew there, but continued to invest in the same way all the interest income collected from the British government for their bonds. Let us suppose that in spite of the superiority of English industry, the high wages paid would diminish exports to such a degree, that the increased home production of food stuffs would not make up for them and that the balance of trade would be against England to the full extent of the wealth exported by the great capitalists to pay for their interest.

In this case the gold would soon be drained from the country and would be at a premium. England would for the time have a paper currency. This paper money would not be less good than it is to-day, the State being responsible for it and the State would be richer than to-day, as she would own the whole land of the country with a continually diminishing debt on it. There would be no difficulty to keep the paper floating, for it is only when its circulation exceeds the demand for a circulating medium that it flows back into the coffers of the bank. What would it matter if gold was at a premium? It would rather have a beneficial effect on the relations between labour and capital, for a depreciating currency hurts the creditor and benefits the debtor; nor would it in the least interfere with production and consumption, with the purchasing power of wages. Prices of goods and wages might be depreciated if measured by the gold standard, but their mutual relation would not change, as the depreciation would

be the same. Both would be lower than in countries with a gold currency, and this fact would stimulate exports so, that the final result would be that the gold premium would only rise high enough to increase exports sufficiently to cover the requirements of the exporting capitalists. Gradually, as the bonds of the latter were becoming redeemed, their exports would decrease until finally these creditors after being paid off, would disappear altogether from the home market. All this time their influence may have diminished the amount of wealth enjoyed by the total of English workers, but it certainly would not have interfered between production and consumption in England. Their interference in this direction would have been entirely exerted on foreign producers, and by thus hastening there the process of capital accumulation, would have precipitated the catastrophe in those countries. They would have done their share in bringing about international reform and international disappearance of spurious capital. It is then that real interest would follow spurious interest and that the full effects of the great reform would be felt the world over.

### The Case in New Countries.

We have now seen how easy it will be to carry out land-nationalisation by giving full compensation to landlords. I think that this would decidedly be the plan for old countries, where landlordism is an old and deeply rooted disease, inherited through generations, of which all those whom it infects, the oppressors and the oppressed, are the innocent bearers. The case may be different altogether in new countries, where the living generation of landlords is partly responsible for the growth of the evil. It will be different in a country like the United States, in which millions of acres have been acquired by present owners or by their fathers in the most reprehensible ways, either by fraud, or by lobbying, by railroad jobbery, or any other of the different methods by which uncle Sam got swindled out of his inheritance, till in a country large enough to accommodate and feed the whole population of our earth, with only 65 millions inhabiting the country, people talk of over-population because every particle of available space has been taken hold of by greedy landsharks\*

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\* An immense continent, large enough to accommodate the whole

Or in a country like Australia, where a landowning minority influenced the law-making machinery and cleverly managed it in their own interest, so as to facilitate their getting a hold on the inheritance of future generations.

In such countries single-taxism may perhaps prove to be a better system than compensation, though even this is doubt-

population of this earth, has been squandered to enrich a few thousand speculators. There is not a square foot of land worth the having which is not appropriated, and that for the most part by men who never had and never will have the slightest idea of cultivating it. The immigrant farmer vainly looks out for land, which he can cultivate without paying some landshark for the privilege. W. A. Phillips in "Labour, Land and Law," gives extracts of official statistics for 1880, according to which more than one fourth of the farms in the United States are held by tenants and as this includes on the average mostly the larger sized farms, the proportion of the territory taken up will be much more pernicious. It is very probable that by this time as much as half the farm land of the United States is in the hands of rackrenting landlordism. But even this does not give the full extent of the evil which a false system of landownership has entailed on the United States. Of 7,670,493 persons engaged in agriculture, only 670,944 can be said to actually cultivate the soil they own; 804,522 do part of the work on their farms; 1,024,601 pay rent to persons not cultivating the soil; 1,508,828 are capitalists or speculating owners, who own the soil and employ labourers. The rest consists of labourers and employés. We may safely say that not one tenth of the improved land is actually worked by its owners. And even this does not give the full truth, for it leaves the mortgage indebtedness out of the question. Phillips estimates that not less than 40 per cent. of the farmers owe interest to the full amount of the rental value. How much of the land after this can be really considered as cultivated by peasant proprietors, a class the land-laws intended to foster? If we take into account the cumulative effect of capitalism we can feel sure that if the present state of things lasted, if George and his friends did not begin to wake the people to a sense of the danger they are running, less than 50 years would elapse before a free peasant proprietor would be as rare a thing in the United States as in England. The Duke of Sutherland, the largest landholder in Great Britain already owns 425,000 acres in the United States; the Marquis of Tweeddale 1,750,000 acres, etc. And what did the State get for the patrimony of the people, which has thus been given away? The total amount received for public lands up to and including 1884 was not more than 230, 285, 892, dols.



ful. In the United States it has been customary to make land support the expenses of government. It is only since the war has loaded the country with a heavy debt, that the custom duties have to bear the greatest part of the public burden. Every landbuyer knew, or ought to have known, that such a method of supporting the expenses of the State was only a temporary one and that the time might arrive when land would have to take heavier burdens. In old countries, where only fixed taxes are levied from land, the capitalised value of these taxes is taken into account when land is bought or sold. They are no longer a tax, but a certain part of the land value may be considered as belonging to the State, as is clearly understood by anybody who buys land. A new tax on land is considered as an increase of the State's share, for which a compensation is due to the landowner. When in Prussia the land-tax was extended to the lands of a certain part of the nobility, which had been freed from it, the landlords got a compensation to the amount of the capitalised value of the tax. This was in 1865 and 20 times the amount of the tax was paid. This does not prevent at present the same landlords from agitating for a removal of this very tax which they got paid for, or rather for having it applied to local purposes and thus to be relieved from a corresponding amount of local taxation.

#### Important Objection against the Single Tax.

This is one of the great objections to a tax. It never will present to the mind of the people the unmistakeable impression of common ownership; it will leave to a certain degree the idea of private ownership. The tax will be considered a burden on rightful owners, a burden which they will always

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It will thus be seen that the total proceeds of the sale of half a continent amounted to less than one year's revenue of the government in the years 1882, 1883, or 1884. If we consider that the time will come when the rental income of the United States will be ten times, nay a hundred times as great as now, we are forced to arrive at the result, that the government has bartered away the people's land for the future income of a single week. Verily the lentil business transacted by Esau was a thrifty speculation by the side of this!



do all in their power to lighten or to remove, as they have done in times past whenever their influence on legislation has allowed them to do so. Are we perfectly sure that such a case could never happen in the time of the single tax? Can we be so confident that it will be impossible for the great body of landholders, much greater than to-day, who will always wield a certain influence, to get some kind of legislation passed, which will alleviate the burdens put on them? There is a natural sympathy with people who petition against taxation. A tax has become a very unpopular thing and the great philosophical truth which underlies the principle of the single tax may not always remain so clear and generally understood as it will be to the generation which carries it to victory. Even great truths need continual freshening up, or people, who have not got the time to make a special study of such subjects as embody these truths, will be very apt to forget them. The history of almost any abuse under which we are suffering will furnish the proof of this. The tyranny of the most absolute ruler was originally nothing but the leadership of a patriarch or of a hero. The teacher gradually became the governing and stake erecting priest. The head of the clan became the landlord who now has the power to drive into exile the descendants of those who were his equals in possession. As times passed the people forgot the origin of rights which are nothing but legalised usurpation, legalised by the usurpers. "Now arose a new king over Egypt, which knew not Joseph." We might add "and a new people which did not know the rights Joseph had enjoyed." All history lies in this. And not only do the ignorant people forget the origin of their slavery, but men of the highest intelligence champion the perpetuation of wrongs on the ground of their great antiquity. In the article of Mr. Huxley which I have already referred to, the great scientist invokes "a statute of limitation" for certain past wrongs.

"There is nothing more fatal to nobility of personal character than the nursing of the feeling of revenge; nothing more clearly indicates a barbarous state of society than the carrying on of a vendetta, generation after generation 'Must immer thun wie neugeboren,' is the best of maxims for the guidance of the life of states, no less than that of individuals," SAYS MR. HUXLEY.

I REPLIED:—"I think I am of as forgiving a nature as Mr. Huxley.

If I ever should meet a man whose great-grandfather had killed mine, I do not think this would prevent my enjoying his society in the least, and even inviting him to my house. But if not only the children of the ancestor in question had acted similarly with those of mine, if even the gentleman in my presence himself was to my certain knowledge quietly preparing to put an end to my mortal life, I do not think that I would vote for a statute of limitation limiting my revenge, but not limiting his murderous proceedings, nor do I believe that I would carry personal nobility so far as to invite the gentleman to dinner. If anybody robbed my great-grandfather of some goods produced by his labour, it would be wrong if I wanted to make his innocent grandchild responsible for the action. Human productions are perishable, and ten to one the object in question is no more in existence, would be no more in existence if my great-grandfather had kept it. But supposing the object not only was of an imperishable nature, but its possession was a condition of life and death, not only for my ancestor, but for me, that whoever holds it has it in his power to murder me, as it gave our friend's grandfather the power to murder mine, and supposing that I felt sure of this power being exercised on me as it was exercised on my grandfather, does Mr. Huxley really think that I ought to carry the nobility of personal character so far as to quietly leave the gentleman in possession of the object in question?

"Well, land is exactly a thing of this description. The man who owns it has got certain rights over the life of his fellowmen, the extent of which can go and very often goes to the taking of this life. Or can it perhaps be denied that the perpetrators of the Sutherland clearances were downright murderers, though they did nothing but what the law allowed them to do and even to this day allows every landlord to do? The man who starves in a London slum, is he not murdered by the landlord who drove him or the man who took his place from the land?"

When we see men like Mr. Huxley stand up for a wrong, because it is an old one, I become frightened at the idea, first of seeing the masses forget the origin of the single tax, and next of having men of ability prove to them that their drifting back into the old abuses took from them the right to reform those abuses. Could there be anything more popular, more engrafted in men's methods of thought than the principle, that land belonged to all and that no individual owner had the right to deprive the people of their inheritance, was among the old Germanic nations? Did this prevent their descendants all but forgetting that there ever was a time when land was common property? None of our forefathers would have

thought that the time could ever come, when words like these would need to be written by a learned man :

"In general it seems, that when we speak of land property, that it can only exist under one form, the one which we see in force among us. This is a profound and regrettable error, which prevents us from rising to a higher conception of right. The exclusive, personal and transferable dominion, applied to land is a comparatively very new conception and during a very long time men have only known and practised common ownership. . . . The right of full property applied to land is a very young institution ; it has always been an exceptional phenomenon."

It is Emile de Lavaleye from whom I quote these words.

This is the reason that I like to call a thing by its name. If land is common property and the periodical payments for the use of a piece of property is called "rent," or hire, it is well to use these words, which clearly show the mutual relation between the people as landowner and the landusers. They are not likely to lose their real meaning in the course of centuries, as the word "tax" might, which is open to completely different interpretations. The fundamental difference is, that a tax is levied for the purpose of supplying public necessities, a very elastic conception, whereas rent is claimed as a remuneration corresponding to the value put on the use of the object in question by the laws of supply and demand. It is only as a means to an end in view, that I can approve of the single tax idea. If the constitutional habits of the United States allow the collection of all taxes on land, the introduction of the single tax may be a very good method to enable the State to get back the land at reasonable prices ; but a real nationalisation of land could only be carried out by the final resumption of land possession by the State.

### Other Objections against the Single Tax.

There are grave objections to the confiscation by way of the single tax, even in the United States. I need only adduce the mortgage question. It is all very well to tell the farmer, that he will gain more through his liberation from personal taxes and taxes on improvements, as well as from protective duties, than he loses through the single tax, especially as it will fall for the most part upon unused land ; but this will not prevent his land losing almost the whole of its selling value. In fact if it did

not take away the selling value of the bare land after leaving a trifle for the collection of the tax, the single tax would not answer as a means of reform; for it is only when we remove the source of spurious capital with private rent that we can really expect the full effects of the reform. If land loses its selling value, mortgages lose their security. The George men do not deny this, and in fact it is just this effect of the reform which I think most important. They usually answer, that, as the reform will not be carried out immediately, mortgagees will have ample time to demand payment for their outstanding debts. There is no doubt of that and I am perfectly confident, that one of the immediate effects of the single tax movement, after people begin to believe in its final success, will be the general calling in of mortgages. The consequence must be that nine tenths of American farmers will be bankrupts; for they will not be able to repay their creditors, and the forced sale of their farms will throw these with all their improvements and probably even with their personal property into the hands of the mortgagees. The independant farmer will become a poor tenant or an agricultural labourer.

Another feature of the single tax plan does not seem to me very practical. The tax is to be taken out of the *selling value of the land*. Mr. Post explains the manner, in which the system will operate, in the *Standard*. The whole rental value is to be taxed away excepting a small per centage sufficient to pay the landlord for the trouble of collection, say 10 per cent. Supposing the selling value of a piece of land to be 2,000 dollars, this system, according to Mr. Post, would make its rental value to be 100. He seems to think, that there is a law of nature which says that the rental value has to be five per cent of the selling value; for otherwise he would have to find out two things, instead of one. Whereas we only have to find out the rent offered in the market, by those who want to rent land, Mr. Post has also to find the rate of interest at which rent is capitalised, in order to get at the market value of land, which is nothing but the capitalisation of rent at the rate of interest paid in the market at the time and in the locality. This rate varies in the United States, as everywhere else. It gets higher the further you go west. Unless Mr. Post knows very

exactly how much in each case this rate is to be, he will get into the greatest difficulties. In the article mentioned, he says, that if we leave ten dollars to the landowner, the state will collect a tax of 90 dollars. This would reduce the market value of the property to 200 dollars, of which 45 per cent has to be taken in taxation. Now, let us suppose, says he, that the market value will rise to 250 dollars. In this case, the state would get 112.50 and the owner would keep 12.50. Now, let us suppose, say I, that the rate of interest has gone down to four per cent, which would put the value of our land at 250, though the rental value has not increased. If the State now takes 112.50, the land owner not only gets nothing for his trouble, but has to pay from his pocket 12.50. He is a loser, because the tax-collector does not know, that the rate of interest has changed, and is calculating on five per cent, when only four per cent was earned. The State will have to be well informed in regard to the rate of interest, as well as to the market price of land, whereas if she only collects the rental value, she has merely to find out by supply and demand how much this will be, thus having one operation, instead of two, of equal difficulty. I should very much have liked to discuss this point with Mr. Post in the columns of the *Standard*; but a previous experience had taught me, that Mr. Post does not publish any objections, which he cannot answer. A letter which I had written him about some false theories of his, in regard to the interest question, has gone into the waste-basket, a proceeding which I did not think very consistent in the editor of a paper, which is bravely fighting against economical lies. He ought to be the last man to shirk from discussing a truth, or acknowledging it, if it is brought home to him in an unanswerable way.

There would be no absolute need to give up the tax system altogether, even if we preferred the simple method of rental values to the roundabout way of selling values. Anybody who wanted land could make his offer to the authorities of the locality. The average of a certain number of such offers would determine the amount of the tax, and all such land owners as were unwilling to pay it, would have the right to offer the land to the State at a corresponding rental. The State



would either have to rent it at the rate, subletting it to the party who wanted it, or she would have to reduce the tax. The tax in this case would be nothing but another name for rent. As long as the occupier of a piece of land is willing to pay the tax which others are ready to pay, he can keep it; if he finds it too high, he must give it up. His improvements will be credited to him according to a valuation. As I have said before, I believe in calling a thing by its real name, and for this reason I prefer complete land nationalisation to the single tax system.

### Fear of Corruption.

I am not afraid of corruption, or of putting too great a power into the hands of the State and thus endangering public liberty. As for corruption, I am convinced that two potent factors in its present production will be absent in the time of reform.

The one is that where an honest way of making a living is just as easy as a dishonest one, people will prefer to be honest. The social effects of land nationalisation would enable any one to employ his labour in that department of work best suited to him, at a good remuneration, and office seeking will be a thing of the past. In this department of work, as in any other, the demand of workers will exceed the supply, and the pay will have to be in proportion to the work done; otherwise nobody will do it, unless men who have retired from business will undertake it as a post of honour. A great deal of this kind of work is done thus even in our time, done honestly and efficiently, without any remuneration whatever. I need only mention that done by men employed in church work or charities. If we have got thousands of men, who thus toil from morning till night without any pay but that given to them by their conscience or the approval of their fellow-men, if this is done in a time of greedy battling for life and "the devil take the hindmost," how much more shall we find such men after social reform has smoothed the path of life to all who honestly want to work for their living, turning to a pleasant emulation what now proves to be a most fearful struggle.

The other factor on which we can depend for an honest



administration will be the interest which the people will take in the management of the public domain. The indifference of the masses of voters is the cause of present mismanagement. Politics have become a business in which a lively interest is taken by those alone who expect to make something out of it, be it money or honour. Those who do not make them a speciality give their principal attention to their own private business. The financial interests at stake in the public domain are too small for each individual voter, to induce him to take much trouble about them. It will be entirely different, when such important interests come into play as will be connected with the administration of the common land. The money value by which each voter participates in the public domain is too considerable to be slighted.

I have lived for long years in a small German village and had occasion to observe our peasants. The conclusion I have come to is, that if to-day the German parliament was dissolved for ever, not a single man of them would lift his hand in defence of this popular institution ; but if the government were to take away the privilege of gathering in the communal forests dry leaves, which are needed as a litter for the cows, a revolution would break out. Local elections in such places create such passionate interest, that a great many of the criminal cases treated by the courts in that special locality (Baden) spring from such elections. The elections for parliament pass off comparatively quietly. Why? Because in the one case private interests may be affected. The mayor of the village has to give out little jobs (stone breaking, roadmaking, etc.), and it pays to be on the winning side, to be counted among his friends and to be patronised by him.

#### Fear of Oppression and Bad Management.

The same causes will prevent the abuse of governmental power. Social independence will close the source from which rulers could find help for oppression. The interest taken by the people in the administration of their country, and a better education, the consequence of a better income or of the manner in which the state employs her rental revenue, will be the best security for the maintenance of those

guarantees of liberty and of public control, which the laws that provide for the great reform will have to furnish.

*There will be no worse management through state officials than through those of our present landlords.* We certainly can improve on their system of confiscating improvements as a consideration for a very long lease. Leases might be shorter and improvements paid for on a valuation of their market-value.

We find this system in the United States; for instance the Randall farm property in New York is administered on this plan. The free city of Hamburg in Germany has made another kind of arrangement in regard to the land bought by her for the free port. She gave a lease of this land to a Stock Company, by which the Company engages to build and to administer all the offices, storehouses, elevators, etc., required. The city gets a certain share of the net income, about 56 per cent, the Company keeps the balance to pay for the work and for the interest of the capital. Every year a certain number of shares are redeemed by the city from the profit she makes beyond the interest of the funds paid for the land, and after 1899 she has the privilege of buying back the balance for a certain maximum price fixed in the agreement.

#### Large and Small Farms.

A provision might be inserted in the law by which large farms will only be let when there is no demand for smaller ones; but I hardly think there will be a necessity for this. A large farmer who has to work with paid labour cannot compete with the peasant working on his own account, for the simple reason, that the profit which satisfies the latter would only pay the expenses of the farmer, as the peasant's net earnings are the minimum wages at which he would agree to work for the farmer. He would not think of working for less than he could make on his own account and if land and capital are easily accessible to him, he will have no difficulty in making a living on his own account.

At present landlords do not like small allotments. It raises the wages of agricultural labourers and it puts obstacles in the way of their sport. Mr. William Saunders

reported a case of this nature at the Paris congress. In Wiltshire the small farmers have to pay £3 an acre where the big farmer gets the land at 12s. 6d. and yet has to stop payment, while the little men make a living. This shows clearly that the big farmers cannot underbid the small ones.

### The Fallacy of the Net-proceed's Reasoning.

At any rate the present state of things by which net proceeds are the only governing principle will be rendered impossible. Let us suppose the gross proceeds of a piece of land to be £1,000 out of which have to be paid, to 20 workers £500 wages and £250 more for other expenses. The net proceeds in this case are £250. Turned to sheepgrazing the same land, gives £600 gross proceeds, of which £25 for a shepherd constitute the whole wage-account, besides which £200 have to be deducted for other expenses. The net profit will have risen to £375. £125 more net income, an increase of 50 per cent; who will hesitate a moment in this percentage-governed time? The 20 workers are evicted and the sheep take their place. Who cares for the 19 families losing their bread? "Let them find work elsewhere!" says the political economist. But there is no work anywhere else for them, as all the other landowners in the country have acted on the same principle of highest net proceeds, and industrial work has certainly not increased through the diminished custom of agricultural buyers. "Well in that case we have overpopulation and we have to find remedies for it." But would it not be better to force landlords to return to the old system, to make them change their meadows back again into agricultural land? The unemployed workers would find employment and instead of forcing down wages, they would consume industrial products and give employment to other workers. Of what benefit can the higher net proceeds be to us, if the gross proceeds have been reduced? "Gross proceeds must be left out of account. Expenses have to be deducted and wages are expenses. We do not live in a patriarchal or socialist state but in the world of free individual development, of *"laissez faire, laissez passer."* The economic law says that every individual in furthering his own interest must also best further the common welfare. It would therefore be

against all principles of sound political economy to force landowners into using their land in a way opposed to their best interests and this interest is governed by the height of the net proceeds they can draw from their land." According to these principles, when our landowners find that it pays them better still to let their land as hunting grounds, they will evict the shepherd as well? There is no more employment for anyone on the land; but the net proceeds have increased and that is all that is required? "Certainly, for the common interest is best served by serving the interest of the individual," is the final decision of our economist. Is this true? *Has the common interest profited by working on the net proceeds line?* We all know how the circle from the wilderness to the meadow, from the meadow to the cornfield and back again from cornfield to meadow and from meadow to wilderness is being closed in these islands; but there are other parts of the world where the folly of the net proceed system is demonstrated with equal clearness. One of the best proofs is furnished in a new book which has lately been published by a German scholar of great ability, Mr. Werner Sombart. In "*Die römische Campagna, eine social ökonomische Studie.*" Leipzig, 1888, he gives a statistical history of the Roman Campagna, from official documents of the Vatican library. The Roman Campagna, as is well known, is the rural district of Rome. Its size is about 2000 square kilometers. In the time of the Emperor Hadrian it was the garden of Italy, and was peopled by two million inhabitants, who lived in plenty.

Now a few thousand miserable people find a poor living there, and it has become one of the unhealthiest parts of the world. It is harrowing to read how the labourers attending to the cattle and sheep grazing on this land once so fruitful, live in caverns where they get the terrible malaria fevers, which take them off, unaided by medical help, and half starved. Why all this? What is the cause which has changed this garden of Italy into such a desert? Why do they not raise wheat and corn, vegetables and fruit on it, as before? Because it does not pay so well. Sombart shows, that the experiments made with corn-growing gave a loss of 9,50 Lire per Rubbio (1,85 hectares), if the present rent is to be

paid, whereas grazing leaves 6,21 Lires. Gross proceeds have doubled in a hundred years. If a century ago the amount produced is put at 100 it has risen at least to 200. Of this the workers got 30 all the time, whereas capital earns 50 now, where it earned 35 100 years ago, and rent gets 120 against 35 at that period.

Nobody can blame the landlords or the capitalists. They act strictly in accordance with business principles; we have only to blame the State for allowing the practice of such principles in regard to the foundation of all life: *land*. If the State had held possession of the land, she would have calculated in quite a different manner. She would have considered that *gross proceeds are composed of a number of net proceeds*, that what the individual landowner and capitalist farmer count as *charges and expenses are nothing but the net proceeds of other people*, whose welfare is just as important as theirs. For the State the £500 of wages in our first example are the net incomes of 20 families, and she can find no advantage in economising part of these £500 and depriving these people of their employment, even if it increased the rent paid into her pockets. She will calculate that there can be no real profit to the community if thousands and millions of hardy workers are thrown out of employment, if the minus production of these people diminishes the national income which is composed of gross proceeds. Net proceeds can only come into account where individuals are concerned. The total of net proceeds and the total of gross proceeds amount to the same if looked at from the bird's eye view of the state. The community has to strike quite a different balance sheet from the individual. She has to feed these workmen as paupers if she cannot give them work, and this alone will make a complete change in the calculation. The individual can make a profit by making the State feed the workers he replaces by sheep; the State cannot, for she has to do the feeding of these men in any case. But this is not all. These men, if they have a piece of land of their own will work with quite a different zest to that with which they work for others. They will become capitalists, and will gradually greatly multiply the produce of their fields, so that finally they can pay a much higher rent to the State than she would



have got, if she had let on the capitalistic principle of to-day. Even if she had to take less rent in the beginning she would finally get more. The disappearance of interest will change the whole calculation. To-day the greater capital required for corn-raising and the interest outlay for this additional capital are the principal items, which make grazing pay better. If capital can be had without interest, corn-growers can pay a higher rate than graziers and still thrive. Real peasant-proprietorship is the healthiest foundation of a state; but real peasant-proprietorship cannot be obtained by selling the land to the peasants. Experience has shown, that in this case it will soon get into the hands of the capitalists, and the curse of rent will be doubled by rent's child "Interest."

### Injustice of the New Irish Land-purchase Act.

Independently of this there would be no possibility of creating peasant-proprietors without committing the greatest injustice to other citizens, who do not get any land, or only inferior land. The land belongs to the people, to the whole people, not to any section of it, and nobody has the right to earn special advantages by getting more or better land than his average share would be. There can be no greater injustice to the Irish and English people, than the establishment of peasant-proprietorship through laws like the Ashbourne Act, an enlargement of which is in contemplation, while I am writing these lines.

Such laws are only in the interest of a land holding class, who want to perpetuate the injustice of the system, which has allowed them to plunder the people for centuries, by increasing the number of landlords and thus strengthening the base of the building of iniquity. The Irish tenants, who happen to be holding the Irish land now have not got a particle more right to this land than the Irish labourers or any other Irishman. Not only has the work done by nature to be common property, but also all advantages accruing from social causes, as for instance the enjoyment of a good credit by the State and the lower interest at which in consequence she can get money.

If a financial operation is possible, by which rent can be reduced and yet owing to the low interest at which the



State can get the necessary means, landlords can be paid off in 49 years, the benefit of this operation ought to belong to the community, not to a few tenants, who are accidentally in possession. Why is the tenant, who was evicted yesterday to be ruined for ever, to be the labourer of the tenant who has held out a few months longer and not only gets a reduction of rent such as would have saved the other, but without paying a penny, by-and-by becomes the full owner of the land he cultivates, so that his descendants in times to come will be the masters of the children of his less fortunate colleague? It is not through better management, through harder work that he and his descendants earn such enormous advantages, but through the legislation of landlords, which made him a present of wealth created by nature and the community, because *their selfish interests wanted a fortification of unjust monopoly rights*. It is the motive which made them create landlords out of Indian Zemindars, men who were nothing but tax-collectors for the government. Such a bad example as that afforded by the sight of state officials collecting the rent of the land for the community could not be tolerated and it was much better to have landlords collect this rent and pay off the State by delivering part of the booty after keeping the lion's share.

How little the very object, which is ostensibly aimed at, how little peasant-proprietorship is attained by such means is shown by a report on the working of the Ashbourne Act, given in the *Times* of 29 Jan., 1890. A case is cited where a tenant bought a farm at £67 10s., subject to a small annuity and sold it for £90, subject to the same annuity. Another who had paid £550, sold, subject to the repayment of this sum, for £970. A farm bought for £539 was sold, subject to the purchase money, for £1,280. Another bought for £775, has been sold, subject to this sum, for £1,725. In these last three cases the fortunate tenants made a profit of £3,975, *obtaining more than three times their purchase money*. The new owners, who paid so much beyond the value, which official estimation put upon these farms, and beyond the real value, though there was a certain increase due to the enjoyment of the cheap money of the State, are bound to be subject to worse rack-renting than the former tenants. Whether the rent is paid

to a landlord or whether it is paid in the shape of mortgage-interest is unessential. Sooner or later such imprudent buying will *throw the farm into the hands of the mortgagee, or of some other capitalist, and absenteeism will be re-enacted in a worse form than before*, as it is well known that *there is no worse landlord than the capitalist*. He expects the interest of his outlay. It is a pure arithmetical problem with him, in which human beings play no part. The personal interests which influenced the descendant of the cavalier, whose family had been connected with the farm for centuries, has disappeared completely in this case. If two more cases are mentioned, in which farms bought for £750 and £880 were sold for £1,300 and £1,880, what does it mean but that two tenants became little capitalists, who in buying consols have obtained the right to extract an eternal tribute from the English taxpayer, whereas new landlords have been created, who probably sooner or later have to become the victims of capitalism, unless they succeed in selling and putting another into the same plight, or of letting and getting the state to buy them out in favour of their tenants. *The Times* had better attach a little more importance than it does to the words of Michael Davitt, which it quotes, "It must be borne in mind, that what is bartered away by this public money is, in reason and justice, *national property*, in the disposal and future administration of which every individual in the country whether tenant, labourer, artisan or mechanic, has an equal right to have a determining voice."

Or take the following, also cited from a speech made by this real friend of the Irish people, the greatest patriot the Green Isle can boast of, delivered at Cork: "The labourers of Ireland in country and town must, if true to their own best interests and to those of the nation, resist all attempts to create a tenant landlordism as an anti-climax to the nation's fight for the abolition of the entire landlord system. Those are the tenants best friends who warn him of what will happen if he is induced by the absconding landlord to purchase what will not free him from the taxes *which the State is certain to exact from the land hereafter*."

Though I do not agree with Mr. Davitt's plan of taxing out the Irish landlords without any compensation whatever,—he

stands on the same ground as Henry George, if I am well informed,—I certainly should not think it correct to compensate the tenants buying under the new land act, except for improvements created by them, as they do not pay anything but a reduced rent and certainly should not compensate those who buy from them. Whoever now buys land in a country whose people are standing up as one man against landlordism knows what he is about and has only to blame himself, if he is a loser. The most ardent defender of vested interests could not find much to say for him. It is just as if the importer of corn during the hottest of the fight against the corn-laws, after the victory of freetrade wanted an indemnity for the duty he paid. It was his fault if he risked the importation instead of waiting for the expected abolition of the duty. But buying of the new landlords, after having paid the old ones with the profit made by the State credit, *would be paying for the land twice, giving double compensation.* If the principle of compensation was to lead to the sanctioning of such abuses, I would rather join the single tax party and leave compensation out of the question. Anyhow, there is one great advantage in their agitation. It frightens landlords and makes them more accessible to moderate proposals such as land-nationalisers are making. I for the most part favour the mixed system of "TAX AND TAKE." It will be advisable to impose all the taxes which can be got, especially *the four shillings in the pound*, and to purchase the rest at a valuation to be made at as early a date as possible. If the tax would be imposed on the value of the land, which might be preferable, let the owners fix the value, the State obtaining the privilege of purchasing at such valuation.

#### How to do it, of Secondry Importance.

I do not consider this whole question of paramount importance for the present. The first task of land reformers is to prove that the terrible evils we are suffering from *are caused by land monopoly.* If we can prove that without a reform of this greatest of all abuses, landlordism and capitalism, its offspring, are sure to gain upon us like an avalanche descending from the mountains, increasing in size as it comes thundering along and certain to engulf us in a most fearful crash, if we succeed in proving this we may safely leave

the "how to do it" to public opinion. Once frightened out of its false confidence, once seeing the whole truth, the best way out of the difficulty will not be hard to find. If once there is no doubt left about the "must," the "how" will easily be found. It was guided by such considerations that the first international congress of land reformers, which met in Paris on June 11th, 1889, did not even try to come to an agreement on this point, but confined itself to the following resolutions:

- "Whereas land is not the product of labour but is the raw material, or source from which all that is necessary for existence is drawn,*
- "Whereas labour is the only rational base of property,*
- "Whereas the private ownership of land results in the enslavement or exploitation of labour,*
- "Whereas, finally this social condition begets dangers which, if neglected, will end by making all order impossible,*
- "This assembly declares that the private ownership of land should cease, and give place to its collective ownership for the commonwealth."*

This resolution was *unanimously adopted* by all the different schools, by Mr. Henry George and his followers, by the adherents of Collins, a French land-nationaliser, who began his work as long as 50 years ago, and whose most important follower, Mr. Agathon de Potter was mainly concerned in the draft of this resolution; by the German, Austrian and Swiss adherents, who stand by those theories, which I have been trying to elucidate in the course of this work; by the Danish, Italian and French land-reformers of different schools, by English and Irish friends as well as by Socialists. It contains the great truth by which all stand, who want a real reform by getting at the root of the evil, we are suffering under. It is the truth, which shows us the only way of salvation by peaceful means from the terrible abyss, which is threatening us. Every man who loves his fellow man, whose religion is not a mere empty form, any man who has got an interest at stake in maintaining peace and order, in preserving as much as is possible of what good fortune has done for him, ought to join us for we offer the last chance of such a solution. Men like the Duke of Argyle, who oppose Henry George by discharging at him all the artillery of

sophistry they are master of, do not understand their real interest. I do not object to their opposing schemes of confiscation; but they can do so only in one way, *i.e.*, by furthering some plan or other of land-nationalisation by reasonable compensation. They can get it yet; but not for a very long time. If they hesitate, if they continue to oppose the very principle of land-nationalisation, they will experience a revival of the old story of the Sybilline books. They finally will be glad to pay for a fraction, what would have bought them the whole. With every liberal bill thrown out by the House of Lords the adherents of Henry George and those of Socialism are increased by the thousand. People begin to see more and more clearly, that there is no hope of getting their aristocracy to see reason and to come to a compromise, and, say they, "if there is to be a fight, we might just as well go for the whole hog," in putting aside the question of compensation. "If there is to be a compensation, let there be one for the robbed, not for the robbers," said my friend Saunders at the Paris Conference. His opinion is becoming that of a daily increasing number of land reformers. I am glad of it; for it may serve to obtain for those of us a better hearing, who are trying the path of peace and conciliation. If we should find, that the views of a Duke of Argyle are shared by all those who are in power, and that these people are completely unable to profit by the teachings of history, we shall join those who go in for confiscation. If there is to be a fight, let us at least reap the full benefit from it. Furious radicalism is the fruit of stubborn conservatism.

The Georgian confiscation scheme will work a great deal of good, if it succeeds in convincing the upper classes, that the offers we, the compensators, are making are the best they will ever get, and if their alliance will secure a speedy victory to the only reform which can save society from a terrible day of reckoning, which can offer relief to the sufferers without depriving the usurpers of their spoils. All the latter will have to do, is to sacrifice the right of future spoliation, a sacrifice they ought to be the more willing to make as the simplest mathematical calculation will show them, how impossible the continuance of their rights proves to be. *We are already on the thirty-ninth square of the chess board*

*of demon interest. We cannot stand another doubling. General bankruptcy and revolution will finish the game, if we do not stop in time. Arithmetic is as inexorable as destiny.*

### The Terrible Danger.

Now I come to the end of this task—a task imposed on me by the inner constraint I felt to show the abyss towards which we are rushing and to find, even in the eleventh hour, a way of escape from the terrible danger. Let us, as the first step to improvement, throw away that false sense of security that so fatally prevails among us, as it did a hundred years ago among the aristocracy of France, who held high revel over the abyss, little suspecting (as Carlyle says) that their skin ere long would be tanned into glove-leather at Meudon.

For years past I have looked on in despair at the drift of our political parties; I have seen how they are contending over secondary points, neglecting what is vital—a sure sign of approaching downfall. Meanwhile beneath us rises the glowing lava of the social globe, whose thin crust (composed of our comfortable classes) includes (like the crust of the earth) not 2 per cent. of the diameter. The fiery mass is surging and rolling. Already the weak rind is quaking under its pressure. And we are going on quarreling over constitutional questions, trifling away the precious time like the ancient inhabitants of Pompeii at the circus while already the shower of ashes that was to bury them was beginning to fall. Just think of the proud civilisation that flourished two thousand years ago on the banks of the Tiber, and what remained of it all after a few centuries! Do you ask, whence then the destroying barbarians are to come? As Henry George says with keen insight, the streets of our great cities shelter worse Vandals and Huns than those that shattered the civilisation of Rome. Since these words were written, they have been strikingly illustrated by events in Belgium, London, Chicago, Amsterdam, and elsewhere.

And we might do so much! Even the weakest among us can. The first thing we have to do is to search out the truth with honest effort, to extricate the real truth from



the midst of the heap of lies that the struggle of interests is day by day throwing up around us.

The truth, the whole truth—if we discover and spread that we have done enough. The rest will follow of itself. We may trust the victorious power of truth to assert itself in the world of facts.

The aim of mankind should be, what was the last cry of our great poet, Goethe—"more light!"

I have done. It was a thankless task which I had undertaken. Cassandras are never welcome. Writers like Giffen, or the American, Atkinson, who prove by all kinds of sophistries and by a preparation of statistics which the best French cook could not equal, that everything is going on splendidly in this magnificent nineteenth century, and that we are living in the best of possible worlds, are much greater favourites. It does not matter. I feel that I have done my duty and that is something at any rate. Is it not too late in any case? God only knows. I am almost afraid it is. The reign of individualism seems to be passing away too rapidly, to permit the hope, that the current of Socialism can be stemmed at the eleventh hour. How sad! What noble aspirations will be buried under the ruins! What wonderful springs of untold blessings will be dried up, when the free aspirations of independent manly work are pressed down under the heel of state governed uniformity. Poor individualism! Thou hast only made one single mistake, but it was a deadly one. Thou hast forgotten, that a free development of individual enterprise is only possible, if the base of all life and effort, if mother earth, is freely open to all who want to exert their powers in the infinite storeroom she offers to humanity. If it is yet possible, retrace thy steps, reform at the last hour by opening to all men the only field in which individual freedom can be exerted: "*Land.*" If thou canst not take this decision very soon, farewell to thee and welcome Socialism! Death is hard and life is precious, even if it be life in a prison

## HANS AND HIS CAKES.

A PARABLE.

BY M. FLURSCHEIM.

*Translated by L. H. Berens.*

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Once upon a time there was an Island upon which two men and their families lived. The one was named Hans and the other Peter. They were not rich, but had enough to eat and drink, which, after all, is of the most importance. Each had a small field in which he grew corn. They ground the corn into flour in a small hand-mill and baked the flour into cakes, upon which they lived and of which they were very fond. Although they had to work hard and continuously they were on the whole happy and comfortable.

One day when walking on the sea-shore Peter found a great big book which had been washed ashore in a box. He took it home, and on opening it found it was "The Wealth of Nations," written by a man named Adam Smith. This book Peter used now to read on Sundays, when there was no work to do; and although he did not understand all he read, yet from it he soon learned that the way in which he and his neighbour were working, each doing all his own work, was not the best way, and that they often wasted both time and labour. So one day he went to Hans and said :—

"My dear neighbour, we have in the past both been foolish, and wasted much time and work because we did not understand how to make use of the advantages which the division of labour would give us. I have now a proposition to make, I will take over our fields as my property, will cultivate them and grow corn enough for both of us. You shall take over all our capital, ovens, mills, &c., as your property, and you must grind the flour and bake the cakes, then our labour will be divided; and by the better use

of our time and the increased skill we should soon gain in our respective occupations would enable both of us to produce more, and so obtain a better living by the same amount of work, or we could live as we are doing now with less labour and shorter hours."

Hans had always had a high opinion of Peter's smartness, especially since he had seen him reading such a thick book, so he agreed to this proposition. Everything turned out as Peter had prophesied. Their increased skill and the improvements they were enabled to make in their tools and methods of working soon enabled them to produce more cakes in the same space of time than they ever did before. They honestly and equally divided the results of their united labour, and when they had enough they used to take it easy, sleep, play games, and otherwise amuse themselves.

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But Peter read more of Adam Smith, and one day came again to Hans and said---

"My dear Hans, we are, after all, a pair of careless fellows; we are enjoying the present, but making no provision for the future, when we shall be old and weak. We should really occupy our time in doing so. Besides, our communistic method of dividing our goods is not in accordance with the doctrines of political economy, which teaches us that 'it is only when each one knows that he is producing entirely for himself that the largest amount of goods is produced. How would it be if each kept that which he produces, and then exchanged one with the other?'"

Hans again agreed. Peter now commenced to cultivate corn for stock, and Hans also started making flour and baking cakes for stock. They exchanged their products, so that each received an equal amount of corn, flour, and cakes. They, however, soon found that although corn would keep pretty well, flour did not do so, whilst their cakes soon became useless. Peter then soon found it more practical to keep his corn in stock, and only exchanged it for flour and cakes as he required them. The result was that Hans only had work to do so long as his own stock of corn lasted, and then he had to remain idle until Peter wanted some more cakes; Peter thus had a great advantage over poor Hans. On the one hand, Peter could steadily increase his stock of grain, and only exchanged it for cakes as he required them; whilst, on the other hand, Hans, having exhausted his stock of corn, and his cakes having been consumed or become useless, soon only had work when Peter wanted cakes, and gave him corn for them. So Hans lived from hand to mouth without being able to make any provision for his old age, whilst Peter soon became the happy possessor of large stores of grain.

In order to get more corn Hans soon commenced to work in the

fields for Peter ; his wife and growing sons soon had to help also. He invented labour-saving machines, which enabled him to produce more corn, more flour, and more cakes with the same amount of labour.

Unfortunately now that Peter had nothing to do, he lost much of his appetite and required less cakes than ever, and the fewer cakes he consumed the less opportunities Hans had to work and earn corn. *Because Peter had no appetite Hans had to starve.*

At last Hans mustered up courage, went to see Peter, and told him that there must be something wrong somewhere, as although Peter did nothing the whole day long, whilst he and his family worked from morning to night, yet Peter had enormous supplies of corn and cakes, whilst he had not enough to live upon and could not obtain work to supply his wants. Peter then replied :—"Ach, my dear Hans that cannot be helped. Here, look for yourself. Adam Smith distinctly states that the relations between employer and employed are solely to be determined by the laws of supply and demand. I have no more requirements ; there is no demand for your cakes, therefore the supply of labour exceeds the demand. It is no wonder, then, that you cannot find employment and are suffering want."

"No," Hans at once replied ; "there is a big demand for cakes." Last night we all went hungry to bed, as we had nothing to eat."

Peter smiled at Hans' simplicity, and was surprised that after all the trouble he had taken, Hans had no real comprehension of the doctrines of the orthodox political economists. "That may be," he replied ; "that sort of demand Smith does not mean, but the effective demand by those who can pay. In order to command cakes you must first have some corn, and, of course, I cannot give up any of my corn, because I do not require your goods. I have more than enough already. The truth is that with your new machines you have produced too many cakes ; so that at the present moment we are suffering from 'a wave of depression,' and there is a 'commercial crisis,' caused by your '*over-production*.'"

Now, "*over-production*" was a word which Hans had never heard before, so it made a great impression upon him ; he had besides a great deal of respect for Peter and his Adam Smith. He returned home nearly convinced that there was an over-production of cakes, and that was the reason that there was nothing for him to do, and all his machines, ovens, &c., had to remain idle ; Peter was indeed the only one who could pay for them, and he had already too many. And yet he could not understand how it was that he was not able to get any cakes because of

his having produced too many. Besides, he remembered that all the corn that Peter possessed was the result of his work; he had planted and harvested it with the help of his family and his machines, and yet Peter had everything in abundance, whilst he and his family were starving.

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One day a stranger came to the island and stayed there a few hours. His name was Mr. Bi-metalism. from the Kingdom of Paper-money. Hans told him his grievances, "Yes, my dear fellow," Mr. Bi-metalism replied, "I can easily understand that under existing conditions you can make no progress; you use corn as money, as the standard of value, and as the production of corn is naturally restricted, so your currency is also restricted. No wonder then that you are suffering from over-production, that your goods are too cheap and yet can find no purchasers. There is, however, a very simple remedy for these evils; you must have a *double currency*; look out for all the pebbles which your island contains and use them as money, as a second medium of exchange; then everything will come right."

"But supposing Peter won't agree," said Hans.

"Then force him to adopt the new currency; you are the stronger, so you can easily do so," answered the stranger.

Hans did as he was told, went to Peter and insisted upon the adoption of a pebble currency as well as of a corn currency. Peter thought over the matter, but as he saw that Hans would stand no nonsense he at last agreed.

Now, the pebbles which had been adopted as a medium of payment of course belonged to Peter as owner of the soil. Great confusion at first resulted from the adoption of the double currency, because when Peter paid for cakes with corn he never dreamt of giving so much as when he paid in pebbles. He gave at least ten times as much weight in pebbles as in corn, and when plenty of pebbles had been found he gave even a hundred times as much. The relative value of pebbles and corn altered every day according to their relative supply. In a word, corn instead of money, soon became simply a commodity, the price of which was determined by pebbles. Soon nothing was heard of a double currency; pebble currency was the only one upon the island. In consequence of the small value of the medium of payment prices rose enormously. Hans now received a hundred pounds' weight of pebbles in exchange for a certain quantity of cakes, for which he had previously received one pound weight of corn. But, strange to say, his position was not improved. Peter consumed no more cakes than previously; Hans was always hungry and wanting employment.

In the course of time both Hans and Peter died; the descendants

of Peter, of course, inherited the soil of the island, and through its ownership possessed also the greater part of the accumulated wealth; the descendants of Hans, although working year in, year out, from morning to night, could never permanently improve their condition, but for the most part lived scantily from hand to mouth.

In the course of time the origin of the difference in the condition of the two classes of inhabitants was entirely forgotten. The Peters at last came to regard themselves as a different race of men, with different blood (blue blood); even most of the Hanses also believed it, they had been told it so often; and really the leisure which the Peters enjoyed gave them opportunities of obtaining education and culture which was denied to the Hanses, who had to work hard and continuously. The Hanses had also become disunited. Some of them had secured for themselves the possession of all the capital, *i.e.*, the machinery and tools. These divided amongst themselves the lion's share of the cakes before they allowed the others to have any at all. But as the Peters were the lords of the soil they owned all the corn and pebbles, and so even those Hanses who owned the machinery and tools did not have too luxurious lives, because in order to obtain corn and pebbles they competed one against the other; one offering more cakes or other articles, which were now manufactured in the island, for a given quantity of corn or pebbles than the other, until they often ruined one another. In spite of this many of the Hanses, who did not possess any machinery and tools, laid all their sufferings at the door of those who did. In this false belief they were at first naturally supported by the Peters, until the poor Hanses commenced to attack them also. Then the Peters and those of the Hanses who owned most of the machines and tools met together in solemn conclave and in the name of law and order—to protect *their* law and *their* order—they passed *Coercion Acts* and *anti-Socialist laws*.

In the course of time some of the Peters were extravagant, and managed their estates so badly that some few of the Hanses had obtained portions of their landed property. These Hanses were the smartest and most cunning of all the race. Wherever there was a Peter who managed badly, some of them used to come smelling round and started business with him and conspired against him to obtain his land, which was of course a much valued possession. Through their continual smelling round, a certain portion of the Hanses developed extra large bent noses, by which they were easily recognised. The anger of the Peters was specially directed against these people, who became richer and richer, and who, with other of the Hanses, were gradually usurping the power and position of the Peters. The Peters, therefore, worked up an



agitation amongst the poorer Hanses against their brothers with the peculiar shaped noses; some of the Hanses went so far into the trap as to murder and maim some of their brothers with the peculiar shaped noses. This agitation was called by a big name—"The Anti-Semitic Movement."

The confusion and misery now became worse and worse. In the olden times one knew exactly who were the oppressors and who the oppressed, every child knew that the Peters were the tyrants, and the Hanses their victims. But now some few Hanses had become rich and possessors of those means of robbing and oppressing the people which formerly belonged solely to the Peters. Some of the Peters had become poor so that no one could easily trace the reason of all the troubles. Everything was in confusion and each man's hand was against his neighbour. The socialist Hanses, as they were called, thought that everything would be right if they could only get possession of all the machines and tools, the *anti-Semitic* Hanses wanted to exterminate all the men with the long, bent noses. The *protectionist* Hanses thought that the trouble arose through the increasing trade with some other islands which suffered from the same evils as themselves. The *malthusian* Hanses ascribed all the evils to *overpopulation*, and talked about the advantages of emigration and the restriction of the number of children, although there was plenty of land in the island which was not cultivated, and there was no absolute scarcity of supplies of all necessities. In fact there seemed to be too much of everything; all the storehouses and shops were full. The real cause of their troubles was that the Hanses and Peters who now owned everything gave out too little corn and pebbles, because they required but little of the cakes and other goods now made on the island; theirs was the only "effective demand," and when their requirements were satisfied there was no trade and no work.

And so these stupid people continue until the present time, unless they are all dead or have not yet all killed one another in the confusion and quarrelling. No one amongst them now ever thinks of abolishing the real cause of their troubles, *viz.*, the private ownership of the soil, which was instituted by Peter, still less is the real remedy known, *viz.*, *resumption the of the soil as common property*. They will have to adopt it some day though, for wrong cannot last for ever; right must at last triumph.

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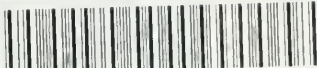
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